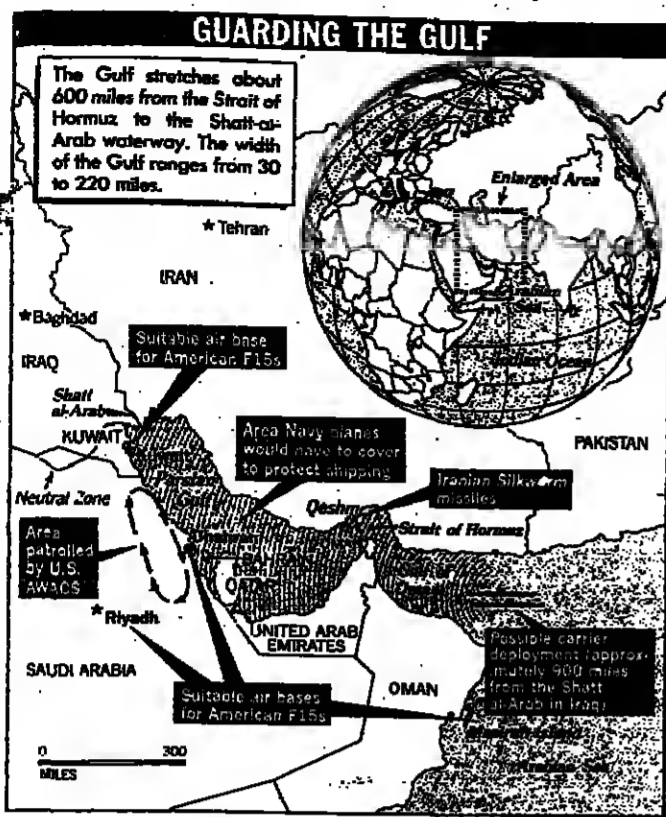


Iran Warns U.S., Soviet Union



Says Gulf Area Is 'Not a Toy'

By Jonathan C. Randal Washington Post Service Nicosia — Foreign Minister Ali Akbar Velayati of Iran warned the United States and the Soviet Union on Sunday against intervening in the Gulf War.

Allies Cool to U.S. Call For Joint Effort in Gulf

By Edward Cody Washington Post Service PARIS — Despite heavy dependence on Gulf oil, the major U.S. allies have shown a noticeable reluctance to join the Reagan administration in plans to provide military protection for merchant ships moving through the waterway.



Labor Cuts Thatcher's Lead in U.K. Polls

Prime Minister Margaret Thatcher and her husband, Denis, walking in London Sunday. New polls indicated that the Labor opposition was cutting into the Conservative lead for the June 11 election.

Soviet Dismisses Defense Chief in Plane Incident

By Gary Lee Washington Post Service MOSCOW — The Soviet leadership, charging the Defense Ministry with "a major dereliction of duty," has retired Defense Minister Sergei L. Sokolov and dismissed the commander of the country's air defenses.



ON PAGE 7

Kiosk Israel Orders Shin Bet Inquiry

JERUSALEM (AP) — The Israeli cabinet voted Sunday to hold a judicial inquiry into the interrogation methods used by the Shin Bet security service.



Chris Evert made the quarterfinals at the French Open, beating Katerina Maleeva. Page 19.

At a French Theme Park, the Magic Is Marred

By Julian Nundy International Herald Tribune PONTOISE, France — Its official name is Mirapolis, Paris's first theme park, a home-grown rival to Disneyland.

NEWS ANALYSIS

Mr. Reagan, the newspaper Liberation said Saturday, "The Reagan administration seems at the last minute to have gotten itself out of one of those messes for which it has become famous."

Navy Seeks More Ships

George C. Wilson of The Washington Post reported from Washington: Admiral William J. Crowe Jr., chairman of the Joint Chiefs of Staff, has told President Ronald Reagan that the United States should not start escorting Kuwaiti tankers through the Gulf without an administration commitment to retaliate for any attacks on U.S. ships, according to informed sources.

Reagan, Citing 'Urgency, Not Panic,' Orders Tests for AIDS for Prisoners

The Associated Press WASHINGTON — President Ronald Reagan, saying the AIDS epidemic "calls for urgency, not panic," announced Sunday that he was ordering testing of federal prisoners for the virus and recommending that states offer testing to marriage license applicants.

Epidemic Threatening Elite of Africa AIDS Toll Aggravates Shortage of Skilled Professionals

By Blaine Harden Washington Post Service NAIROBI, Kenya — AIDS in central and eastern Africa, which has infected up to a quarter of the population of some capital cities, is now seen by some African governments and Western aid donors as an economic and developmental catastrophe.

Soviet Aide Says Pilot May Be Freed

By Bill Keller New York Times Service MOSCOW — Mathias Rust, the West German teen-ager whose aerial escapade precipitated a purge of the Soviet military, may be allowed to go home without standing trial, a Soviet spokesman said Sunday.

Israel's Bittersweet Victory: A Coming of Age in '67 Brings a Legacy of Uncertainty

By Glenn Frankel Washington Post Service JERUSALEM — The warplanes left in waves on that crystal blue Mediterranean morning, headed due west over the sea, then hooked back to enter Egypt from behind, flying less than 1,000 feet above the ground to elude radar.



Israeli soldiers holding a captured Jordanian flag in Jerusalem during the Six-Day War.

Meanwhile, they have changed almost everything about Israel — its borders, its economy, even its dreams. The cliché among critics is that Israel gained territory but lost part of its soul.

The Six-Day War: 20 Years After

This first article in a series on the legacy of the Six-Day War deals with its impact on Israeli society. tion combat planes, three-fourths of the Middle East's largest air armada, most of them on the ground. Six hours later an officer finally worked up the courage to give an incredulous President Gamal Abdel Nasser the bad news: "I have come to tell you that we no longer have an air force."

Even if the the Arabs accepted this, it is doubtful whether Israelis would go along. Leaders of Jewish settlers in the West Bank have warned that any such return of territory might lead to a civil war between Jews. Polls suggest that between 50 and 60 percent of the Israeli population oppose territorial concessions, and 30 to 40 percent favor outright annexation followed by steps to encourage Arab residents to leave.

High Toll Is Reported In Sri Lanka Offensive Against Tamil Rebels

By Steven R. Weisman
New York Times Service
COLOMBO, Sri Lanka — The Sri Lankan armed forces pressed a major offensive against Tamil insurgent strongholds in the north over the weekend, amid reports that hundreds of people had died in fighting and bombardment during the week.

Military analysts called the fighting the bloodiest and most important in Sri Lanka's four-year ethnic conflict.

The army was said to be trying to wipe out rebel military bases, kill guerrilla leaders and secure perhaps a third of the Jaffna peninsula in the north. The peninsula is dominated by Tamils, who want to set

up an independent nation in the north and east.

The government has said that since the offensive began Tuesday, nearly 200 people have been killed, three-quarters of them Tamil guerrillas. The government announced Sunday that soldiers had found 17 bodies at a Hindu temple, raising the official civilian death toll to 37. Tamil spokesmen here and in India, where several guerrilla groups have their political bases, said that as many as 1,000 civilians died last week in helicopter and airplane bombardments, especially in and around the city of Jaffna, which has a population of 800,000.

It was difficult to independently verify any of the reports because journalists have largely been barred from the north.

As the fighting continued in the peninsula just west of the town of Point Pedro, Sri Lanka's foreign minister, A.C.S. Hameed, denied a charge by India that the government had killed civilians in what he called "carpet bombing" of Jaffna and the surrounding area.

He said the government had neither the means nor the intention of carrying out such dense bombing. Earlier, Prime Minister Rajiv Gandhi of India, who has been trying to mediate a political solution to the conflict since 1985, appealed for restraint by Sri Lanka and was reportedly angry that his appeals were being ignored.

Indian officials, who are under some public pressure to intervene, perhaps even militarily, on behalf of the Tamils, warned that the widening war was making the region vulnerable to "external influences."

Responding to the Indian charges, Mr. Hameed said it was Sri Lanka that was trying to eliminate outside influences but was being thwarted by India from taking "legitimate steps" against the Tamil insurgency.

Sri Lanka has repeatedly accused India of providing arms, political support and sanctuary to the guerrillas. The beaten exchange appeared to eliminate chances of an early settlement or even of negotiations between the government and the Tamil insurgents.

About 16 million people live in Sri Lanka, off the southern tip of India. Three quarters of them are ethnic Sinhalese, Buddhists who speak the language of Sinhalese.

The Tamils, who make up less than 20 percent of the population on the island, are Hindus. They feel a kinship with the 50 million Tamils in the southern Indian state of Tamil Nadu.



Singapore police arresting Joshua B. Jeyaretnam, center, leader of the Workers' Party.

Singapore Arrests 3 Opponents

Party Chief, 2 Members Protested Seizure of 16 Suspects

By Michael Richardson
International Herald Tribune

SINGAPORE — A prominent opposition leader and two members of his party were arrested this weekend as they held a protest outside the president's official residence over the detention without charge of 16 suspected Communists by the Singapore government.

The police said that Joshua B. Jeyaretnam, secretary-general of the Workers' Party, and two colleagues were taken into custody Saturday for attempting to hold an assembly without a permit and obstructing the police. The three were later released, the police said, after each agreed to pay personal bond.

They held their protest outside the residence of President Wee Kim Wee. Prime Minister Lee Kuan Yew has his office in the same compound.

Four of the 16 persons detained on May 21 had links with the Workers' Party. The 16 were held for alleged involvement in a Communist conspiracy to infiltrate and subvert church, student and other legally established organizations.

Mr. Jeyaretnam said at a press conference last week that his party "has never been, and will not allow

itself to be, used by anybody for any subversive purpose or objective that will be harmful to society."

He asserted that the detention of the 16 was intended to intimidate Singaporeans so that they would not support any political party other than the governing People's Action Party, which has been in power since 1959.

In a statement published in the Singapore press on Saturday, the Ministry of Home Affairs said that the Workers' Party had been infiltrated three times by Communists since it was formed in 1957.

It said that 4 of the 16 had given assistance to the Workers' Party in the last general elections, in 1984.

It further alleged that two of them had gradually maneuvered themselves into positions of influence in the party and captured control of the party paper, "which they saw as a useful medium to disseminate anti-government propaganda and influence public opinion against the government."

Mr. Jeyaretnam, a long-time political foe of Prime Minister Lee, was one of two opposition members in Singapore's 79-seat Parliament. He lost his seat in November after a court jailed him for a month

Thais Press Campaign to Drive Out Vietnamese

By Seth Mydans
New York Times Service

BANGKOK — In a largely hidden conflict in a mountainous border region, Thai and Vietnamese forces are locked in what appears to be their most intense engagement since Vietnam invaded Cambodia more than eight years ago.

Fighting in the Chong Bok area, where the borders of Thailand, Cambodia, and Laos intersect, has reportedly continued since January, as Thai soldiers try to dislodge the Vietnamese from entrenched positions just inside Thai territory.

Despite reports of high casualties from Vietnamese artillery and mines, the Thai regional commander recently announced that the offensive would continue until security was restored.

The United States has joined Thailand's Southeast Asian allies in condemning Vietnam's "clear violation of international law" and in calling on Hanoi to withdraw its forces.

A spokesman for the Thai 2d Army, commanded by Lieutenant General Isarapong Noonpakdi, said a road was being built several miles into the rugged area to make it easier to resupply troops and evacuate the wounded.

The Vietnamese occupation of several hills on an important infiltration route from Thailand into Cambodia appears to be part of a largely unsuccessful two-year attempt to seal the border against forces fighting the Vietnamese-backed Cambodian government.

Since Vietnam invaded Cambodia at the end of 1978, its occupying force, now numbering about 140,000 men, has been harassed by guerrillas operating from camps along the Thai border.

Vietnamese troops have often intruded into Thailand. The Thais have fought many small and a few brief, larger battles with the intruders. But previous Thai policy has usually been to ignore Vietnamese incursions into uninhabited areas like Chong Bok.

Diplomats said that this was the first time that Thailand had committed itself to a protracted engagement against entrenched intruders.

On March 21, the army commander, General Chaovalit Yongchaiyut, broke Thai secrecy over the conflict in a visit to the area during which, a diplomat said, "he nailed the flag to the map" and vowed to clear the Vietnamese from Chong Bok.

Thai military officials have since released sketchy and conflicting details about the fighting. Their reports of Thai casualties have ranged from 45 to 72 dead. Western diplomats said the death toll could be in the hundreds.

"There have been battles before in the passes," one diplomat said, "but this one stands apart for the depth and permanence of the Vietnamese penetration and for the Thais' willingness to make a public issue of something that is so costly for them. The Thais are being very tough about it, going in again and again despite heavy casualties."

He said the Vietnamese held the tactical advantage, with trenches and apparently tunnels along the rocky ridges and with well-prepared fields of artillery fire that can saturate the hillsides whenever they are attacked.

A Thai military official estimated that the area had been seeded with more than 100,000 mines. The Thais have reportedly attacked with artillery and air strikes as well as infantry. The effect on the entrenched Vietnamese is not clear.

In a radio broadcast last weekend, Hanoi said the Chong Bok area was in fact inside Cambodia, and it accused Thailand of carrying out air and ground attacks across the border.

A diplomat said some Vietnamese officials had been captured carrying American maps that show the area to be inside Thailand.

The fighting is taking place in the Nam Yuen district of Ubonratchathani Province in eastern Thailand.

Thai villagers living in scattered settlements within three miles (five kilometers) of the conflict have been evacuated, according to a newspaper account.

The Thai military, after initially making public little information about the fighting, has begun issuing almost daily reports, but correspondents have not been permitted into the battle area.

The leader of the opposition Pracharak Thai Party, Samak Sundaravej, recently questioned the official casualty count and called on military officials to explain why soldiers were being sent to Chong Bok "only to be slaughtered."

Since early 1985, the Vietnamese have sought to seal off the 750-mile Thai-Cambodian border with a barrier of cleared land, barbed wire and mines.

But the guerrillas have succeeded in penetrating into Cambodia more deeply and for longer periods than before, diplomats said.

WORLD BRIEFS

Mitterrand Rejects Falklands Parallel

SAINT PIERRE AND MIQUELON, France (Reuters) — President François Mitterrand was angered by suggestions that France send forces to guarantee fishing rights off these French islands near Canada's province of Newfoundland, presidential aides said Sunday.

During a brief visit to the islands on Friday at the end of a five-day state visit to Canada, Mr. Mitterrand was urged by Albert Pen, a member of the French Senate and mayor of Saint Pierre, to act "with the same firmness" shown by Prime Minister Margaret Thatcher of Britain in defending the Falkland Islands in 1982.

"The parallel with the Falklands is badly placed," Mr. Mitterrand said. He said he had tried to revive negotiations on French fishing rights in Canadian waters but there had been no major progress. However, his aides said he departed from a prepared text to toughen criticism of Canada in response to Mr. Pen's statement.

Hart-Rice Photo Sold by Her Friend

NEW YORK (NYT) — A friend of Donna Rice, Lynn Armandi, asked for \$25,000 from The National Enquirer for a photograph of Gary Hart with his arm around Miss Rice, according to a person with knowledge of the negotiations.

The photograph, which showed Miss Rice sitting on Mr. Hart's lap with her arm over his shoulders, was published last week on the cover of magazine, less than three weeks after Mr. Hart dropped his presidential campaign amid reports about his relationship with Miss Rice. She is a pharmaceutical sales representative and part-time model and actress. Miss Armandi had said that for \$50,000 she would sell her exclusive story of the overnight trip that she, Mr. Hart, Miss Rice and another person took to Bimini, the source said. The photograph was taken by Miss Armandi during the trip.

Seoul Apologizes in Police Cover-Up

SEOUL (Reuters) — The South Korean government has apologized for a police cover-up in the torture and killing of a student activist and renewed a pledge to improve human rights.

Prime Minister Lee Han Key said Saturday in a statement that the government would provide more effective safeguards for human rights to prevent the recurrence of such incidents as the death in January of Park Chong Chol. He warned opposition forces not to exploit the incident and pledged stern punishment for any violence and illegal protests.

On Tuesday, President Chun Doo Hwan dismissed Prime Minister Lee Han Key, three other top cabinet ministers, the national police chief and the head of the state intelligence agency because of the cover-up.



Lee Han Key

For the Record

Polish police arrested two Solidarity leaders Saturday in the northwestern city of Szczecin, bringing the total detentions of Solidarity officials to six in two days, relatives of the two men said. (AFP)

TRAVEL UPDATE

Storm Injures Passengers on QE2

SOUTHAMPTON, England (Reuters) — The newly refitted Queen Elizabeth 2 docked here after what the crew called its stormiest North Atlantic crossing in 15 years. A doctor in the ship's hospital said several of the 1,800 passengers had suffered broken bones.

Winds of up to 50 miles (80 kilometers) an hour rocked the liner, throwing passengers and food across the dining room, crew members said. The ship's captain strapped himself to his chair as the bridge. Among the passengers were Michel Legrand, the French pianist and composer, who refused to play a scheduled concert after a Steinway piano flipped over. Crew members said windows were knocked out by flying furniture. The ship docked Saturday.

A Czechoslovak Airlines plane carrying 19 passengers from Prague landed Sunday at Beirut International Airport. It is the second foreign carrier to resume flights since the airport was reopened May 10. (AFP)

The United Arab Emirates fifth international airport will open in Fujairah in September. The sixth is under construction. (Reuters)

This Week's Holidays

Banking hours and government services will be closed or curtailed in the following places this week because of national and religious holidays:

MONDAY: Australia, Bahrain, Bhutan, Cape Verde Islands, Central African Republic, Colombia, Cook Islands, Hong Kong, Iceland, Kenya, Malaysia, Mexico, New Zealand, Saudi Arabia, Venezuela, Western Samoa.

TUESDAY: Bhutan, Malaysia, Tunisia, Western Samoa.

WEDNESDAY: Israel, Malaysia, Western Samoa.

THURSDAY: Tonga.

FRIDAY: Bahamas, Denmark, Equatorial Guinea, Iran, Seychelles.

SATURDAY: Finland, South Korea.

SUNDAY: Finland, France, Norway, Sweden.

Source: Morgan Guaranty Trust Co., Reuters.

U.S. Air Schedules Altered To Cut Delays at 5 Airports

WASHINGTON — Transportation Secretary Elizabeth H. Dole has announced that several airlines have agreed to adjust schedules at five airports to reduce flight delays this summer.

The schedules, reached after months of negotiations by the airlines, will begin to take effect Monday and will be fully in effect by June 15. They will affect 444 takeoffs and landings. Travelers can check with the airlines to determine if particular flight times have been changed.

The airports affected by the changes are Newark International, Hartsfield International in Atlanta, O'Hare International in Chicago, Dallas-Fort Worth International and Philadelphia International.

The Department of Transportation said that some of the schedule changes were drastic adjustments; most involve changes of only a few minutes and some more than 30 minutes. No flights were eliminated. The airlines participating in the flight changes are Air Wisconsin, Braniff, Continental, Delta, Eastern, Jet American, Metro Express, Metro Express II, Metro Flight, Northwest, Pan American, Piedmont, Trans World, United and USAir.

The Atlanta airport will have 231 flight schedule changes, by far the largest number. Thirteen flights will be adjusted at Newark, 13 at Philadelphia, 62 at Dallas-Fort Worth and 125 at O'Hare.

In addition to the 444 changes, which were announced Friday, the Department of Transportation said that some airlines had earlier independently adjusted the schedules for hundreds of other flights.

Correction

Because of editing errors, it was incorrectly stated in the Saturday-Sunday editions that Vincent Cheng, an official with the Roman Catholic Church in Singapore, was suspected of having built up contacts with members of the National Democratic Front in the Philippines. In fact, he is suspected of having ties with the Communist Party of the Philippines. The National Democratic Front is a mass organization that includes both Communists and non-Communists.

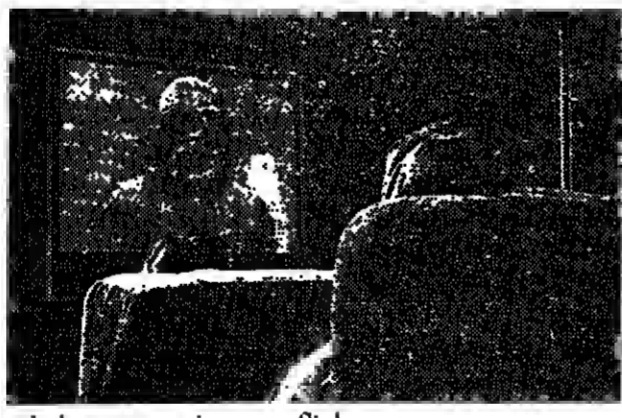
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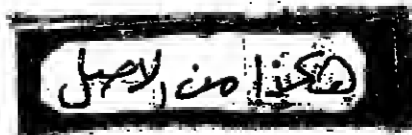


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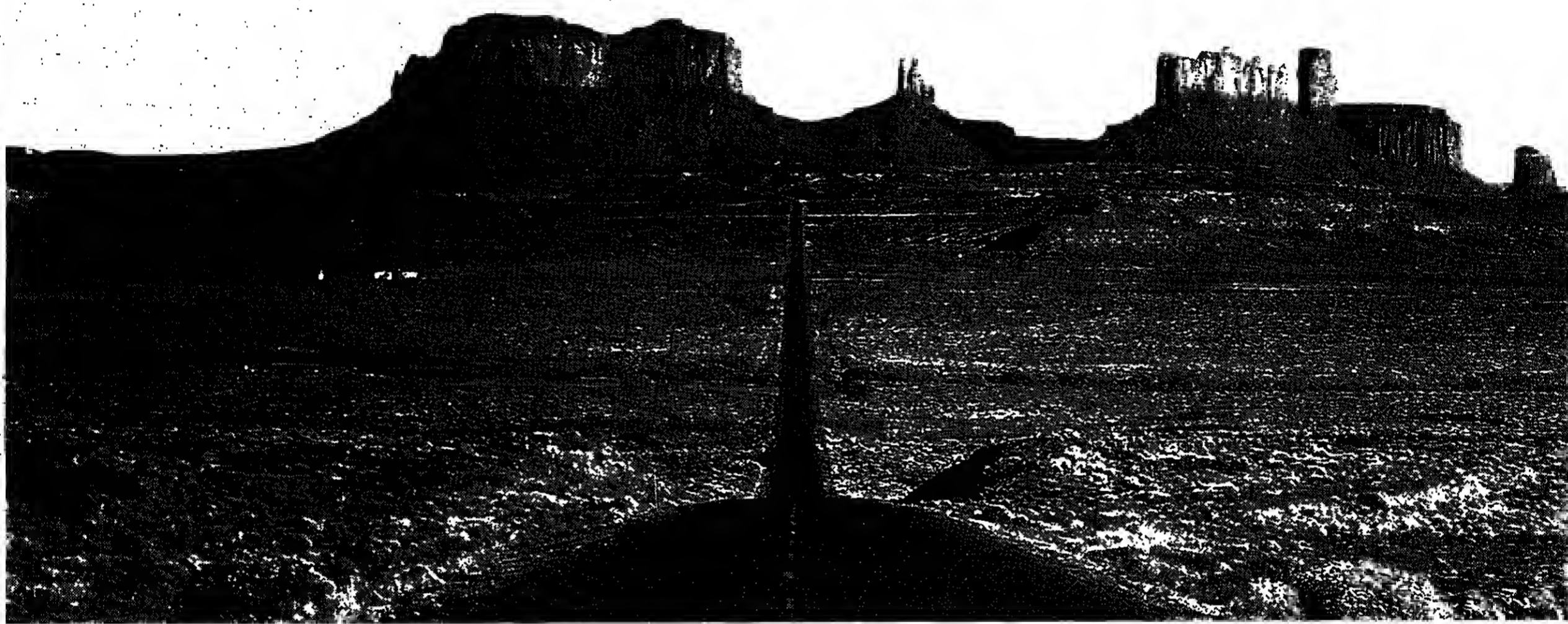
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One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.

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Just one example of many. The interdisciplinary cooperation of scientists and engineers is opening up paths never before trodden for industrial textile materials, products and processes. Hoechst High Chem Fibres are today more than ever before tailored to their applications and the properties

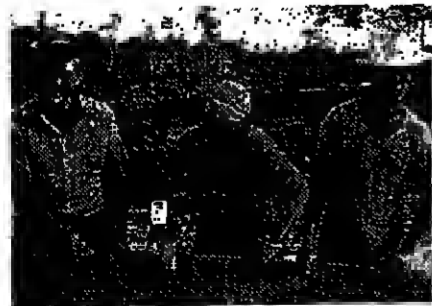
required are specially designed into them.

Time and again, newer and better industrial fibres are capturing more and more areas of use. Today, Hoechst high-performance fibres are already helping to provide economic solutions to enormous problems relating to traffic, nutrition, energy and environmental protection, and to give innovative answers to questions both old and new.

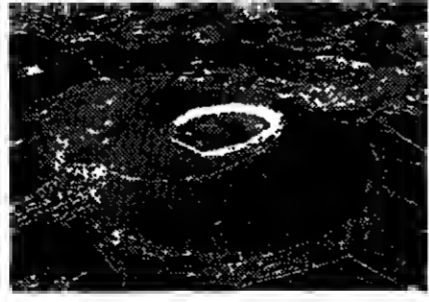
The addition of the Celanese products will result in a further expansion of the selling range.



In the Colombian rain forest the geotextile [®]Trevira Spunbond ensures the continued progress of building operations. As a separating layer it prevents the loose material from sinking into the soil and as a filter layer it drains the ground to the point of being load-bearing.



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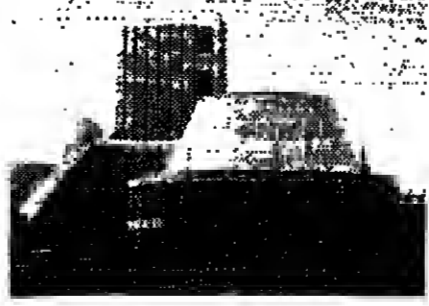
Tenerife is one of the driest regions of Spain. Today the crater of the volcano Montaña de Teno is a water reservoir, lined with coated [®]Trevira High Tenacity – one of fifty [®]Trevira lined artificial lakes serving Spanish agriculture.



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Bakker Hurt Evangelicals' Image, Assets

By Samuel G. Freedman
New York Times Service

FORT MILL, South Carolina — Whether the Reverend Jerry Falwell is trying to steal the PTL ministry, as the Reverend Jim Bakker says, or to save it, there is more at stake here for the American evangelical movement than an air-conditioned doghouse or gold-plated bathroom fixtures.

Leaders and scholars of the movement say that, even as such symbols of the ministry's excesses under Mr. Bakker have been auctioned to raise short-term cash, the fate of the PTL empire has become inextricably bound with the evangelical movement's efforts to enter the political, religious and social mainstream — even to alter the course of that stream. And to shed the very "Elmer Gantry" stereotype that the current scandal has revived.

The immediate prize for rescuing PTL, they say, is control of two of the most valuable properties in American evangelism: the PTL cable television network and Heritage Village USA, the third most popular theme and amusement park in the nation, after only the two Disney parks.

The assessed value of the entire 2,300-acre (931-hectare) Heritage Village USA complex is \$178 million, and the cable service is thought to be worth from \$20 million to \$50 million.

Both the image and the assets of PTL — for Praise The Lord or People That Love — are particularly important when the evangelical marketplace has grown more crowded than ever, heightening the competition for adherents and their dollars.

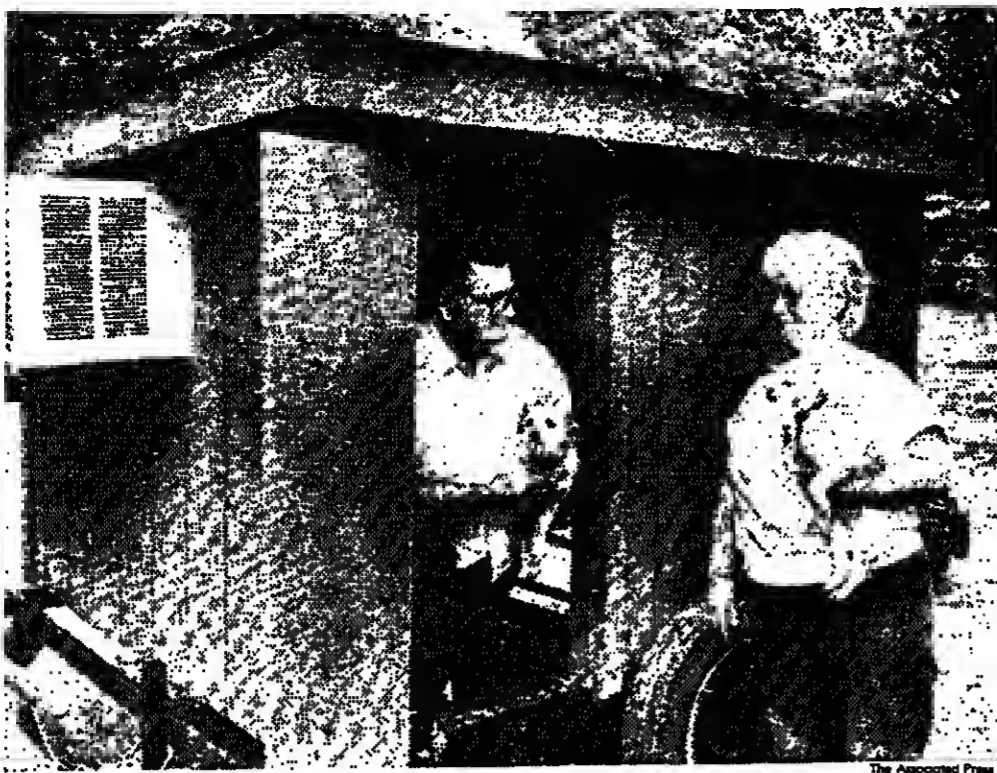
In a larger sense, leaders in the movement fear that the scandal will set back sophisticated efforts, including the Reverend Pat Robertson's presidential candidacy, to stamp evangelical influences on the national life.

The common denominator for all evangelical denominations is a belief in direct spiritual experience, often colloquially known as being "born again."

Many of the major evangelical ministries had seen their donations and television ratings declining before the PTL scandal broke in March. Since then, with the revelation of a \$70 million debt and allegations of avarice and sexual adventurism against Mr. Bakker and his ministry, the drop-off in giving to many television ministries has gained momentum.

"The credibility of the televised evangelists is probably at the lowest I can ever remember," said Rex Humbard Jr., the chief executive officer of the Ohio-based ministry led by his father.

Martin E. Marty, a professor of modern Christianity at the Univer-



George and Helen Campbell of Hollidaysburg, Pennsylvania, with the air-conditioned doghouse that belonged to the Reverend Jim Bakker, the former head of the PTL ministry. Mr. Campbell bought it for \$630, but he said the couple's two terriers will not be using it.

sity of Chicago, said, "It's like the cocaine issue in professional sports. Every league, every franchise is affected by the image of a problem."

The immediate effect of the PTL scandal has been pronounced. A variety of polls found that public distrust of television evangelists has grown following the disclosures about Mr. Bakker's ministry.

Mr. Humbard said that donations to his father's ministry in April and May were 25 percent lower than for the same period last year. He did not provide the dollar figures. Benton Miller, the manager of media relations for the Christian Broadcasting Network, a cable service, reported an unspecified "drop-off in revenue" in the past two months.

The new management of the PTL ministry has been trying to raise \$10 million in an "emergency" drive, and officials said about \$5.2 million had been received as of late Friday. But 18 television stations have dropped the "PTL Club" television show because of overdue bills, and 40 more are reported to be considering it.

The show appears daily on 160 stations. The PTL ministry buys time and transmits the show, along with other programs, via the PTL Cable Network to cable television services that reach 13.5 million subscriber households nationally.

The concern beyond the current unrest, evangelists and academics

agree, is whether PTL's well-documented woes will damage the movement's push toward the American mainstream, as exemplified by Mr. Robertson's Republican candidacy and Mr. Falwell's attempts to build intellectual and political bases through a college in Virginia and the Liberty Federation, formerly known as the Moral Majority.

From Jim and Tammy Bakker's lavish homes and wardrobes to the allegations of secret slush funds and homosexual trysts, the PTL scandal has summoned up the specter of the evangelist as blasphemer, cheat and hypocrite. It is precisely the sort of popular portrait that the sophisticated modern-day evangelists fear most.

"With the advent of those unfortunate sberanigans," said Mr. Miller of the Christian Broadcasting Network, "all of us have been wounded." He noted that officials of the cable network went so far as to open their own financial records on the air earlier this month.

"I don't think one can stress too strongly the presence of the 'Elmer Gantry' image, the image of all the television evangelists as a bunch of no-good shysters," said Professor Jeffrey K. Hadden of the University of Virginia, the author of the forthcoming book "Televangelism, Power and Politics."

"They've all had to fight that image," Mr. Hadden said. "And

that's the key, I think, to why Jerry Falwell jumped into PTL in the first place. He knew that if it got out of control, there was a lot for everyone to lose."

The common agenda of the evangelical movement goes only so far, and in the marketplace of souls, the PTL ministry is an exceedingly valuable resource.

Never before has the movement been so packed. The \$2-billion-a-year television evangelism field is split among 221 Christian stations and 60 syndicated programs. A New York Times-CBS News poll earlier this year suggests that the audience has been almost exhausted, since only a fraction of the respondents who do not already donate money to television evangelists say they have a favorable opinion of them.

"The movement had peaked by late 1979 or 1980," said Razzelle Frankl, the author of "Televangelism: The Marketing of Popular Religion."

"It had become more concentrated, more competitive," he said. "Every ministry was struggling to find its own niche in the market."

The shortfall is declining revenues and ratings for many evangelists, Mr. Falwell included. His major program, "The Old Time Gospel Hour," brought in \$44.3 million in 1986 — a drop of \$8.2 million from the 1985 level.

Unions Lose Support in U.S. Federal Work Force

By Judith Havemann
Washington Post Service

WASHINGTON — When President Ronald Reagan dismissed 11,400 air traffic controllers in 1981, unionized government workers and their bosses got the message. The workers got nervous, and the bosses got tough.

"A lot of unions became less aggressive," said James M. Peirce, president of the National Federation of Federal Employees. After the Professional Air Traffic Controllers Organization strike, he said, "People didn't want to stick their neck out."

Managers did. "Most of management really felt they could ignore labor relations," said a departmental assistant secretary. "They got a lot more bold, a lot more rigid."

Today, three years after unions gained a legal foothold in the federal government with passage of the first law authorizing collective bargaining for civil servants, union membership among federal workers has plummeted. Political clout has weakened.

And Mr. Reagan's handling of the air traffic controllers' strike set a tone of "toughing it out" that has reverberated throughout the government.

"Members are dropping out because it seems hopeless," said Representative Patricia Schroeder, Democrat of Colorado.

"There is a real question," she said, "whether federal unions will continue to exist."

Not only are unions hamstringing by a law that prohibits bargaining over wages and benefits, but they have a hard time getting management to sit down at the table over the few issues that are negotiable.

"There is no penalty for not bargaining," said Robert Tobias, president of the National Treasury Employees Union, one of the most aggressive of the unions.

If a federal manager refuses to bargain, Mr. Tobias said, the Federal Labor Relations Authority "might order him to post a notice on the bulletin board two years later."

"There is no balance in the process, no outside force pushing to resolve issues," he said.

Representative William D. Ford, Democrat of Michigan and chairman of the House Post Office and Civil Service Committee, called the labor relations environment in the federal government today "very poor."

The parties involved, particularly management, he said, "are too confrontational" and "would rather litigate than negotiate."

In this environment, not surprisingly, many federal unions have run into trouble.

The largest of them, the American Federation of Government Employees, has slipped from 300,000 members in 1969 to 180,000 active and 30,000 retired members today, according to the group's president, Kenneth T. Blaylock.

"Late last year we started a strong organizing drive," said Janice LaChance, spokeswoman for the union, "but before then we were losing 400 members a week."

She attributed the drop to attrition, staff reductions and outside contracting by federal agencies.

Across the nation, many unions are in trouble. Organized labor lost 2.7 million members between 1980 and 1984, according to the U.S. Bureau of Labor Statistics.

But the public-sector unions are generally healthier than those in private industry. Of the 16 million government workers, about 36 percent belong to unions, a figure that has been almost constant since 1980.

Protest at U.S. Missile Base

Reuters

MUTLANGEN, West Germany. — Eleven anti-nuclear protesters were arrested Saturday when they tried to block the entrance to the U.S. military base near Mutlangen, where Pershing-2 nuclear missiles are deployed, the police said.

AMERICAN TOPICS



PRISON TO BE PAROLEE'S HOME — California's governor has ordered that Lawrence Singleton, 59, center, be given a home on the San Quentin prison grounds. Paroled after serving eight years for raping a teen-ager and cutting off her arms at the elbow, he was driven out of six communities. "Understandably, no community wants Singleton, yet he must be placed somewhere," Governor George Deukmejian said.

One Black's Climb To Executive Suite

A. Barry Rand is a rarity indeed: a black who not only is an executive at Xerox Corp., one of America's major companies, but who is in charge of the sales force, with 33,000 employees and annual sales of nearly \$5 billion.

He is thus responsible, as The New York Times put it, for "the company's bread and butter." His annual salary is said to exceed \$250,000.

A survey of the 1,000 largest American companies carried out in October by Korn/Ferry International found only four black senior executives, those just below the chief executive level.

That represented an increase of one since a similar survey in 1979 by Korn/Ferry, an executive search firm. The Bureau of Labor Statistics says the proportion of managers from minority groups increased to 5.2 percent in 1982 from 3.6 percent in 1977.

But black senior executives usually are in charge of employee morale or community relations.

Edward W. Jones Jr., a New Jersey consultant who recently wrote about black managers for Harvard Business Review, said that as "top manager with the future of the company in his hands," Mr. Rand, 43, amounts to "the Jackie Robinson of the corporate world," referring to the first black in major league baseball in 1947.

"I can't take solace about being the first black person in this kind of position," Mr. Rand said, because "there are blacks

Short Takes

Republic Pictures is back to making films after a 30-year hiatus, but this time only for television. The studio made 47 John Wayne films (including "Sands of Iwo Jima" and "The Quiet Man"), scores of Gene Autry and Roy Rogers westerns and many other films, most of them low-budget B-grade movies. The company, founded in 1935, produced its last feature in 1957, but remained active in distributing old movies and television shows.

A murder confession has been uncovered by a family refurbishing a house in Fountain, Colorado. The document, concealed under layers of paint on a window molding, was signed by John W. Spicer, who helped build the house in 1899. Spicer died in 1943. "On or about the [illegible] day of March, 1899," the document said, "I did kill and willfully murder with a club one John J. Sebastian for his money and jewelry to the value of \$5,000.00 and did drag the mutilated body to a deep ravine." No record could be found of the murder.

Notes About People

Richard N. Perle, 45, the former assistant secretary of defense for international security

policy, has signed with Random House for a novel, tentatively titled "Memoranda," for an estimated \$300,000 or more. He also is writing a monthly column for U.S. News & World Report, and is on the inside circuit for about \$15,000 per feature. His literary agent, Robert B. Barnett, called this "Richard's three-pronged assault on the private sector."

New York's Finest Drop Baseball Caps

A few years ago, The New York Times recalls in an editorial, the National Association of Uniform Manufacturers called New York's police the best-dressed force in the country.

"Yes," The Times went on, New York's Finest "had style for brass — minus the baseball cap. The baseball cap, with mesh crown and a duck bill, became a summer option in 1984. Sure, it was cooler than the regulation lid. But did it have presence? Did it convey discipline? Can anything that suggests hot dogs with mustard, pickup trucks and fishing parties reflect the sense of discipline that conveyed by a uniform? No."

"This week, after a three-year run, the baseball cap went out; the traditional eight-sided cap with patent leather visor became mandatory again. To those who wisely recognized the link between style and standards, hats off!"

—ARTHUR HIGBEE

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Drug Congress

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Drug Agents in a Hostage Hunt

Congress Looks Into How White House Bypassed Agencies

By Stephen Engelberg
New York Times Service

WASHINGTON — It was early 1985 and the Reagan administration had failed in attempts to rescue — or even find — William Buckley, the kidnapped Beirut station chief of the CIA. Almost as an afterthought, the White House asked the Drug Enforcement Agency to search its worldwide network of informants for clues to where Mr. Buckley and other American hostages were being held.

From those innocent beginnings grew a yearlong succession of secret operations run by two agency officers assigned to work directly for Lieutenant Colonel Oliver L. North, the former National Security Council aide.

The efforts, which used private money in seeking to ransom the hostages, are coming under scrutiny in Congress as a case study of the White House penchant for bypassing the agencies normally assigned to covert operations.

Investigators also say the operations raise troubling questions about Colonel North's access to U.S. law enforcement agencies.

Sketchy outlines of the operations have been alluded to in congressional testimony on the Iran-contra affair. Congressional investigators and administration officials last week provided the first detailed picture of its origins.

"This is another example of a private operation run by government officials without supervision and the checks and balances that make our government work right," said Senator Paul S. Trible Jr., Republican of Virginia. He is a member of the Senate committee investigating the Iran-contra affair.

"The story of this enterprise," he said, "demonstrates the absolute folly of proceeding in this fashion."

Colonel North instructed the drug enforcement agents to keep no records. The senator and others, however, were able to relate these details about the operation, which, according to Robert C. McFarlane, the former national security adviser, was personally approved by President Ronald Reagan.

A chief intermediary was a shadowy figure called "the source" who received at least \$200,000 in payments. When Colonel North's team asked him to prove that he was in contact with the captors, the intermediary produced a copy of an Arabic-language newspaper that he said had been initiated by Mr. Buckley. Later, CIA officials said the middle initial was incorrect and Mr. Buckley's secretary said that it was not his handwriting.

The agents paid money to an Iranian posing as a Saudi prince who, it has been previously disclosed, was pretending to broker a contribution to the Contras by Saudi Arabia. The payments to the impostor involved his claim that he might have influence with the people holding the hostages.

The two DEA officers were worried about agency rules that barred them from handling unappropriated funds, so in May 1985, one agent enlisted his brother, who was not a government employee, to carry the cash.

H. Ross Perot, the wealthy Texas, contributed \$300,000 to the hostage rescue efforts. Most of the Perot money went to the operation of the drug enforcement agents, but \$100,000 was used in a futile operation by the CIA and FBI to rescue Peter Kilburn, an American hostage who was subsequently killed.

The disclosure shows for the first time that the administration used private money in an operation that fully involved the relevant government agencies.

Mr. Trible said that the DEA agents were involved in the ransom operation from January 1985 to June 1986. At the time, senior U.S. officials were highly concerned about Mr. Buckley's plight because there was videotaped evidence that he was being tortured and because he had extensive knowledge of U.S. agents in the Middle East. Mr. Buckley's captors claim to have killed him in 1985.

Mr. Trible said that Edward V. Hickey Jr., who was a White House official at the time, made the first contact with the Drug Enforcement Agency when he called a DEA agent in Virginia who was a neighbor and asked whether the agency could help find Mr. Buckley.

The agency, which has officers all over the world for drug investigations, agreed to help, Mr. Trible said, that a special group was assembled at the drug agency, with apparent support from other agencies. The CIA provided \$50,000.

The involvement of the agency was not illogical. The CIA had lost many of its personnel in Lebanon, first with the truck bombing of the U.S. Embassy in 1983 that killed the previous CIA station chief and other officers, and then when his successor, Mr. Buckley, was kidnapped in 1984.

According to present and former administration officials, the DEA hostage effort was highly secret, and several of its senior officers, including its general counsel, Joseph R. Davis, were not told about it.



Sheikh Fadlallah urging the release of hostages in Lebanon.

Guerrillas Assault Units In Israeli 'Security Zone'

Reuters

SIDON, Lebanon — Shiite Muslim guerrillas Sunday attacked pro-Israeli militia posts in south Lebanon. Sixteen fighters and a baby were reported killed in the fighting.

Pro-Iranian guerrillas of the Islamic Resistance Front said it was their biggest raid inside Israel's self-declared security zone, an irregularly shaped strip that stretches from the Mediterranean coast to the foothills of Mount Hermon.

Lebanese police said eight members of the South Lebanon Army militia died, four were missing and one was captured by the guerrillas.

A six-month-old baby was killed and 20 civilians were wounded when Israeli helicopters and artillery fired on nearby villages in retaliation for the guerrilla attack, they said.

Israeli security sources said eight guerrillas died, while 10 militia troops and six Israelis were injured in the clashes.

In Beirut, a newspaper with links to a leading Shiite Muslim cleric, said Sunday it expected an end to the foreign hostage crisis in Lebanon.

The Al-Shams newspaper quoted a source involved in the hostage situation as saying the cleric, Sheikh Mohammad Hussein Fadlallah, "is working to give the hostages' issue an end agreeable to all parties."

"We expect an end to this issue," the newspaper said, adding that an announcement would be made in about two weeks.

Sheikh Fadlallah called Saturday for the release of all "innocent" hostages in Lebanon.

He has great influence among pro-Iranian Shiite groups, which are believed to hold some of the 28 foreigners missing in Lebanon.

Saudis, Seeking First Submarines, Are Likely to Buy British or French

By Warren Geder
International Herald Tribune

LONDON — As military tension in the Gulf rises, Saudi Arabia is nearing a decision on its first purchase of submarines. From French or British manufacturers, according to Middle East and industry sources.

The purchase by the Saudis of six to eight advanced diesel-powered submarines would introduce a new strategic dimension into the Gulf, the Arabian Sea and the Red Sea. Delivery of the vessels would take at least three to four years.

Estimates on the value of the contract range from \$3 billion to \$5 billion. The contract includes training, servicing and the construction of submarine pens at two Saudi ovals bases, at Jubail, in the Gulf, about 25 miles (about 40 kilometers) from Bahrain, and at Yanbu, on the Red Sea.

Saudi Arabia is determined to acquire deep-water capable submarines that are equipped with advanced conventional missiles and that can be used for both surveillance and against surface ships.

The Saudis have already acquired a stock of advanced Harpoon missiles, built by McDonnell Douglas Co. of the United States, and are expected to outfit the submarine with those systems.

None of the Gulf nations is believed to be operating submarines in the region, although Iraq is understood to have purchased Romeo-class submarines, modeled after an antiquated Soviet variety, from China.

Israeli diplomatic sources said they would regard the introduction of Saudi-operated submarines in the Red Sea with concern.

Prince Sultan bin Abdul Aziz, the Saudi minister of defense, said recently in Riyadh that King Fahd would announce a final decision on the submarine contract after the conclusion of Ramadan, the Islamic holiday, which ended Thursday.

The decision to award the contract has been repeatedly postponed. The prince is expected to be in Paris on business sometime later this week.

The top contenders for the bid are a French consortium, headed by Direction de Construction Navale and Thomson CSF, and Vickers Shipbuilding and Engineering PLC of Britain.

Other contenders include submarine builders in West Germany, Sweden, Italy and Holland. The Rotterdam Dockyard Co., or RDM, is considered by industry sources to be a dark-horse contender if the Saudis find it politically difficult to choose between French or British submarines. The Dutch vessels are believed to be advanced enough to be capable of meeting Saudi requirements.

The British bid, centered on the Type 2400 diesel-electric submarine that is being built for the British Navy, is said to have a marked technical advantage over the French Agosta, which is still in the design stage.

The British vessel is known to be exceptionally quiet, an important feature in the shallow Gulf waters. One factor that may have weakened Britain's position in the bidding is the Saudis' disappointment at the pace of British investments in Saudi Arabia. "Offset" investment was a condition of the Saudi contract to buy \$5 billion (53.1 billion) of Tornado fighters from Britain in 1985.

Bidding by the French consortium is being abetted by a strong push from Prime Minister Jacques Chirac to secure the contract, industry sources said. Another factor in France's favor, they said, is the earlier sale by France of frigates to the Saudi Navy.

Moreover, following the \$5 billion military purchase from Britain, the Saudis may choose to diversify the sources of their subsequent major military purchases from abroad.

Fawn Hall Visiting Paris

International Herald Tribune

PARIS — Fawn Hall, Colonel Oliver L. North's former secretary, has dropped out of sight in Washington, D.C., for the last couple of weeks and has been sightseeing in Europe, mostly in Italy and France, with a female friend.

Encountered Sunday on the Left Bank with her friend, Ms. Hall declined to comment on the Iran-contra hearings, including the date on which she expects to be called to testify.

"That stuff comes from my lawyer," she said, "but all of this will come out soon." Ms. Hall said that she has been in Europe sightseeing. "It was a lot more fun than being in Washington."

She has told a federal grand jury that she shredded National Security Council documents at Colonel North's request just before U.S. Justice Department investigators came to review his files. Colonel North is a former National Security Council aide.

GULF: Iran Warning

(Continued from Page 1)

president on Friday that the administration should commit itself to a long-term U.S. military presence in the Gulf to strengthen relations with the Arab world, sources said.

Mr. Reagan agreed with Admiral Crowe on both counts, according to Pentagon officials, and also approved the Joint Chiefs' recommendation to increase the Middle East Force in the Gulf to nine ships from six. The increase will include a cruiser, which would move in and out of the Gulf, providing extra firepower and radar to watch for threatening aircraft.

The nuclear-powered cruiser Virginia may soon sail for the Gulf to share duty with another cruiser equipped with a sophisticated anti-aircraft system, military sources said.

Pentagon officials said that an aircraft carrier would remain outside the Strait of Hormuz but close enough to provide air cover on occasion and the capability for retaliatory bombing if U.S. ships are attacked.

Senator Sam Nunn, Democrat of Georgia, chairman of the Senate Armed Services Committee, has criticized the navy for not deploying heavier ships in the Gulf.

Mr. Nunn argued that patrol frigates such as the Stark are too small and vulnerable to handle the threat posed by modern anti-ship missiles possessed by Iraq and Iran.

Thirty-seven crewmen were killed and the Stark was disabled by two Exocet missiles fired by an Iraqi F-1 fighter bomber.

Admiral Crowe told the president that the joint chiefs believed the escort of Kuwaiti tankers could be done safely without U.S. fighter planes providing protective cover, sources said.

The joint chiefs — the heads of the army, air force, navy and Marine Corps — are less concerned about escorting Kuwaiti tankers than they are about long-term entanglements in the region, according to Pentagon officials.

Admiral Crowe is most worried, they said, that the Reagan administration will cut its losses and withdraw from the Gulf if the U.S. convoys draw fire, creating another image of "cut and run," as was the case when the Marines were withdrawn from Lebanon in 1984.

Mr. Reagan has directed the National Security Council to study various plans for retaliatory action over the next several days.

Naval experts said that if retaliatory action were carried out by carrier aircraft, at least two carriers would have to be deployed near the entrance of the Gulf. But unless an attack on U.S. shipping is made, Pentagon officials said, the plan is to have only one carrier stationed outside the entrance to the Gulf.

Leading Candidates Are Emerging In Search for a New UNESCO Chief

By Paul Lewis
New York Times Service

PARIS — The search has begun for a successor to Amadou Mahtar M'bow, the director-general of the United Nations Educational, Scientific and Cultural Organization.

The United States, Britain and Singapore have left the agency, complaining of what they call bad management and the growing politicization of UNESCO's activities under the leadership of Mr. M'bow, a Senegalese.

The names of about 20 possible candidates to succeed Mr. M'bow when his second term of office expires at the end of this year are being discussed informally by the agency's 50-member governing executive board at its regular five-week meeting in Paris.

An informal consensus is emerging among the board members that the next director-general should come from Asia if a suitable candidate can be found. No Asian has ever held the post.

Some board members say Pakistan's foreign minister, Sahabzada Yaqub Khan, and the Philippine ambassador to Belgium, Rosario Manalo, who have been put forward by their governments, are probably the best placed candidates in a crowded field.

Many officials involved in UNESCO say they believe Mr. M'bow still hopes a majority of member nations will ask him to serve a third term because they cannot agree on anyone else.

On June 1, the chairman of the executive board, Ivo Margan of Yugoslavia, is due to send a confidential letter to UNESCO's more than 100 member nations, listing the official candidates whose names have been put forward by their governments.

This list has little significance, however, because individual executive board members remain free to suggest additional candidates up to the moment when the board votes on the next director-general at its regular fall meeting in October.

The board's nominee, chosen by majority vote, must then be approved by a majority of the member nations at the next UNESCO General Conference in November.

Other known official candidates, who have been put forward by their governments, include Victor Sa Machado, the Portuguese education minister; Nicolas Todorov, a member of the Bulgarian Academy of Sciences and chairman of the last UNESCO general conference; Soedjat Moko of Indonesia, a former rector of the United Nations University in Tokyo; Mr. Margan of Yugoslavia; Alfonso Barrera Valverde, a former foreign minister of Ecuador; Abdul Mejid-Khan, Bangladesh's ambassador in Paris, and Thailand's education minister, Winchincharon.

In addition to the official candidates, several other possible names are being discussed among executive board members.

These include Prince Saddrudine Aga Khan, the former UN high commissioner for refugees; Kalevi Sorsa, the Finnish foreign minister; Enrique Iglesias, the Uruguayan foreign minister; Butros Butros Ghali, the Egyptian deputy foreign minister; Kurt Furgler, a former president of Switzerland; Federico Mayor Zaragoza, a Spanish biologist, and Abdou Salam, a Nobel Prize-winning Pakistani physicist who lives in Italy.

ALLIES: Reluctance on Gulf Aid

(Continued from Page 1)

could provide ships, air cover or military facilities.

He pointed out that the European allies received a third of their oil from the Gulf region, compared with only about 6 percent for the United States. He said that made the area their responsibility as well.

"We are not machines," said Italy's acting prime minister, Amintore Fanfani, when asked about the request during a visit to Canada.

Only the Netherlands gave a positive public reaction. But that country said it would act only if the situation became worse.

Prime Minister Margaret Thatcher said that Britain had assisted no specific request to assist the United States in the Gulf.

"But, of course," she said, "we would consider cooperating if those proposals are put to us."

The United States also approached France through diplomatic channels, but the French have not made a public response.

With the exception of the abortive peacekeeping mission in Beirut after Israel's 1982 invasion, France traditionally has been reluctant to act jointly with the United States for fear of compromising its independence or being linked with policies it opposes.

Japan, which gets two-thirds of its oil from the Gulf, has ruled out cooperating in any military deployment there, despite attacks against three of its tankers this year.

Sources at the West German defense and foreign ministries have said that Bonn also faces constitutional restrictions.

DOONESBURY



MR. HEADREST: "ONCE FRANKLY YOUR AN SWERS TODAY HAVE BEEN MOST DESAP- POINTING IN NATURE. IN NATURE, NATURE!"

WELL, OF COURSE, SENATOR! THEY'RE NOT BOUND TO BE IN NATURE, NATURE!

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Many Marks of Distinction, All Made in Record Time

International Herald Tribune

BRUSSELS — Despite the rain, the Belgian town of Pepinster has set a world record for world records.

Pepinster, with a population of about 5,000, finished its "Week of Records" on Sunday as participants notched more than 30 new records in such endeavors as jumping rope, playing dice and assembling fire hoses.

If the new marks are approved by the Guinness Book of Records, as expected, Pepinster will have overtaken Aubigny, France, which last year set 28 records at its annual festival.

The event in Belgium got raised on.

Luc van Lierde, who wanted to pull a 10-ton truck for 1,312 feet (400 meters), abandoned his effort after 65 feet because he kept slipping on the wet pavement.

But there were plenty of record successes.

Claude Rulmonci jumped rope for 13 hours and 40 minutes; a middle-aged couple played a game of dice, called 421, for 24 consecutive hours.

Three firemen screwed together enough fire hoses to form one of 19,230 feet. A world record, of course.

It was fortunate that the firemen had brought a couple of ladders. About 20 people who clambered into the seat of the world's largest beach chair, erected in the town square, had to be evacuated by the firemen when the three-storey structure started to buckle.

After the 20 people were safely on ground, the giant beach chair was folded up and put away.

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(John DONNE)

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INTERNATIONAL Herald Tribune

Let Them Wear Hats

Industrial chemicals are eating away at the high ozone layer that shields life from the sun's harmful ultraviolet rays. In most people the solution is obvious: cut production of those chemicals and find alternatives...

Reappoint Paul Volcker

President Reagan faces a critical choice for chairman of the Federal Reserve Board when Paul Volcker's second term expires in August. The smartest move would be to stick with the chairman he already has—and do it now...

A Question of Immunity

With extraordinary bad timing, Whitney North Seymour Jr., the special prosecutor, has precipitated an international flap that has ramifications far beyond Washington's Embassy Row...

Other Comment

The Hands Over Soviet Ears: Helsinki accord banning such interference. British experts estimate that jamming costs Moscow \$1.2 billion a year—more than all Western governments combined...

Iraq Deserves U.S. Support—At Least for Now

By Daniel Pipes PHILADELPHIA—Both combatants in the Gulf war have now had a chance to slam the United States. After Iranian officials spun the arms-for-hostages trap, Iraq proceeded to bomb a U.S. Navy frigate...



Fourth: Promote peace. Americans should never wish that a war continue indefinitely, regardless of how distasteful the regimes involved, no matter how attractive the war's short-term benefits...

Hastening Strangely To Forgive

By Jim Hoagland BAGHDAD—Lingering guilt over its demented flirtation with Iran has pushed the Reagan administration into hastily letting Iraq off the hook in the attack on the USS Stark...

Has Europe, the Crippled Genius, Given Up on Itself?

By James Reston PARIS—The paradox of Europe these days is that it invented science and is spending twice as much on research and development as Japan, but it is still lagging in the high-technology race to the future...

The Nuclear Issue Is Giving Kinnoack a Loser's Look

By Anthony Lewis LONDON—Neil Kinnoack is a laborer. In his 45-year-old career, he has worked for the Labor Party for the most part of his life...

Who Are These Would-Be Presidents?

By David S. Broder BOSTON—Barbara Anderson, director of the Citizens for Limited Taxation, keeps a file of stories in which out-of-state reporters (including this one) have given her a misreported or misinterpreted report of Governor Michael Dukakis of Massachusetts...

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Italy and the War ROME—The idea of a conference of the European Powers to put a stop to the Italo-Turkish war does not meet with favor in Italian public opinion. In political circles here, the conquest of Libya has always been looked upon as a necessary precondition...

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1958-1982 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen LEE W. HUEBNER, Publisher

Handwritten signature or date: 'JUN 1 1987'

Out of the Blue, a Quick Test of Gorbachev

By Philip Taubman
New York Times Service

MOSCOW — The unobstructed flight of a small civilian aircraft across Soviet airspace last week has presented Mikhail S. Gorbachev with perhaps the most delicate test yet of his leadership, Western diplomats said Sunday.

At a time when the Soviet leader faces mounting criticism that his domestic policies are undermining discipline and shortchanging Soviet defenses, the unimpeded flight by a 19-year-old West German pilot to the heart of the capital on Thursday raised questions about Mr. Gorbachev's stewardship as head of the Defense Council, Moscow's highest military authority.

The diplomats said the dismissal by the Politburo on Saturday of Defense Minister Sergei I. Sokolov and the commander of Soviet air defense forces, Marshal Alexander I. Koldunov, was carried out in part to deflect responsibility away from Mr. Gorbachev and the Communist Party leadership.

The Politburo's actions followed a pattern set in the aftermath of the Chernobyl nuclear accident last year. Government officials were

NEWS ANALYSIS

dismissed for negligence, but party authorities assumed no responsibility for the disaster.

But the plane incident has also given Mr. Gorbachev an opportunity to assert his authority and to make a number of tactical political moves that seem likely to strengthen his hand, according to the diplomats.

By swiftly and severely punishing the military for allowing Mathias Rust to fly a single-engine Cessna 172 to the perimeter of the Kremlin, Mr. Gorbachev and the Politburo were able to demonstrate decisive leadership and show that they would not tolerate a breakdown of discipline.

The scolding public indictment of the military signaled that even the most revered and powerful institutions would be subject to open criticism.

In addition, the actions showed that Mr. Gorbachev, while pursuing more liberal policies, is intent on making the Soviet system, both the military and civilian sides, work more effectively and will hold ac-

countable government and military officials who fail.

The Politburo's stern rebuke of the military, accompanied by a renewed call for enhancing Soviet defenses, also gave Mr. Gorbachev a chance to counter concerns that he is indifferent to military requirements.

Since taking office in March 1985, Mr. Gorbachev has pressed the military to hold down growth in defense spending and has pursued a number of foreign policy initiatives, including an 18-month moratorium on underground nuclear testing, that have troubled defense advocates.

The sequence of events also provided an excuse to remove Marshal Sokolov, a 75-year-old World War II veteran and armored forces specialist, who has not been a member of Mr. Gorbachev's inner circle. His replacement, General Dmitri T. Yazov, 63, who was the deputy minister of defense for personnel, appears to have been hand-picked by Mr. Gorbachev.

Mr. Gorbachev, who has promoted a number of officials who apparently first impressed him during his travels around the Soviet

Union, spent some time with General Yazov in July during a visit to Khabarovsk, headquarters of the Far Eastern Military District. General Yazov was district commander until early this year when he was brought to Moscow.

The shift leaves vacant a nonvoting slot on the Politburo held by Marshal Sokolov, which Mr. Gorbachev may use to bring another supporter into the party's top leadership, possibly General Yazov.

Western diplomats said that Mr. Gorbachev had no choice but to deal quickly and firmly with the Rust case because any sign of indecision could have been used against him by opponents who contend he has been soft on defense issues.

The diplomats said that the dismissal of Marshal Sokolov and Marshal Koldunov would postpone, but not necessarily prevent, responsibility for the defense breakdown from reaching Mr. Gorbachev himself.

"If you're keeping score, a Western diplomat said Sunday, 'I think Gorbachev picked up points over the weekend but the flight may still cost him in the long run.'"

Tass, in an apparent effort to put



Dmitri T. Yazov

Forests of Missiles, 500,000 Guards Didn't Stop Plane on Way to Moscow

By Eric Pace
New York Times Service

NEW YORK — The Soviet air defense system, which failed to intercept the single-engine Cessna that flew from Helsinki to Red Square, is enormously extensive, with forests of missiles, thousands of warplanes and more than 1,500,000 men and women either deployed or on call.

In recent years, the system has emphasized defense against low-level aerial incursions across the long Soviet borders. Some Western analysts have suggested that this emphasis may have made the plane's 400-mile (650-kilometer) flight over Soviet airspace particularly irritating to the Soviet leadership.

Western military experts in Moscow and elsewhere have suggested that the plane, which was piloted by a 19-year-old West German, managed to dodge Soviet radar by flying very near the ground.

In other incidents that have come to light over the decades, the Soviet air defenses have sometimes

shown deadly effectiveness, but at other times embarrassing failures have occurred.

The current edition of the U.S. Defense Department report "Soviet Military Power" says that the Soviet air defense system includes "the world's most extensive early warning system."

The importance to the Soviets of defense against anything flying relatively close to the ground is underscored in the 1986 edition of another widely read reference work, the unofficial Defense and Foreign Affairs Handbook.

It cites an "increasing emphasis by Western air forces on low-level penetration attacks."

According to the handbook, the Soviet Air Defense Command is estimated to have 550,000 personnel in service and more than a million reservists. It includes more than 2,500 interceptor aircraft in addition to missiles, and there are special arrangements for the protection of Moscow and other key sites, the handbook said.

Restrictions on flight supplement the air defense system. A So-

viet government spokesman said Friday that air traffic had been banned over Moscow since the 1950s. The three airports that serve the capital are well outside its perimeter.

An early postwar triumph of the system came in 1960, when a high-altitude U.S. reconnaissance jet, piloted by Francis Gary Powers, was shot down.

More recently, the best-known display of the system's deadly abilities came in the Far East on Sept. 1, 1983, when Soviet planes intercepted a South Korean Airlines Boeing 747 jumbo jet that had entered Soviet airspace. It was shot down, killing 269 passengers and crew members.

A similar incident occurred in 1978, when a Soviet jet interceptor forced a Soviet Korean airliner to land on a frozen lake 650 miles north of Moscow after it strayed into Soviet airspace. Two of the 97 passengers were killed and 16 were wounded.

The passengers reported that a single Soviet interceptor had fired at the plane, which was more than 1,000 miles off its Paris-to-Seoul course.

Before the flight of the Cessna on Thursday, perhaps the most dramatic known instance of the Soviet system's failure to intercept a private aircraft came in 1978. A Soviet merchant seaman who had defected to Sweden flew into and landed in the Baltic region of the Soviet Union twice in an attempt to pick up his wife and take her back out with him.

She evidently failed to appear for the rendezvous, and the defector was arrested in Sweden when he returned from his second trip.

On Thursday, a Soviet citizen also eluded his country's air defense system when he piloted a crop-dusting aircraft from the Baltic region of the Soviet Union over the Soviet airspace and over the Baltic Sea. He ditched the plane in the Baltic near the Swedish island of Gotland and washed ashore.

The Soviet Union is not the only nation where incursions into its airspace have led to incidents and problems. The United States has been trying to intercept or forestall flights into its airspace by planes carrying contraband narcotics.

MOSCOW: Defense Minister Fired

(Continued from Page 1)

ganizing the alert for the protection of the airspace of the country, a lack of discipline and discipline, and major dereliction of duty in the guidance of forces by the U.S.S.R. Defense Ministry."

The Tass account also said that Chief Marshal Alexander I. Koldunov, 63, who has headed the air defense forces since 1978, had been dismissed.

The Soviet leadership accused Marshal Koldunov of "negligence and lack of organization" in connection with the violation of air space, Tass reported, and for "lack of control over the actions of the anti-aircraft defense forces."

The senior military shake-up indicated the extent to which the airplane episode had embarrassed the Soviet leader, Mikhail S. Gorbachev, who was meeting in East Berlin with Soviet bloc leaders when the reports of the incident surfaced. It also showed his willingness to



Marshal Alexander I. Koldunov

dismiss the military's highest-ranking officers when mistakes occur.

Tass said the Defense Ministry told the Politburo that Mr. Rust's plane had been detected by radar as it approached the Soviet border. "Soviet fighter planes flew twice around the West German plane," Tass said, but apparently did nothing.

The leadership, according to Tass, said the air defense forces showed "intolerable unconcern and indecision about cutting short the flight of the violator plane without resorting to combat means."

The report did not make it clear whether that meant shooting the plane down or forcing it down.

Mr. Rust, who buzzed Red Square three times at low altitude after flying over 420 miles (680 kilometers) of Soviet territory in a flight from Helsinki, is being questioned by Soviet authorities, according to the West German Embassy.

The Politburo statement on the

PILOT: Early Release Is Called Likely for Youth Who Landed in Moscow

(Continued from Page 1)

made public by the Politburo in a statement Saturday night, air force jets twice "flew around" the intruding Cessna. But the air defense commanders showed "intolerable unconcern and indecision about cutting short the flight of the violator plane without resorting to combat means," the Politburo said.

What remains unclear is whether Soviet air defense forces misidentified the plane, lost track of it or simply could not make up their minds to force it down.

Western military analysts said it was possible that Soviet jets, flying at speeds several times that of the 130-mph (210-kph) Cessna and trying to detect its form amid the "clutter" of trees and towns, could have sped past the little plane and lost it.

Mr. Rust remained in custody and presumably under interrogation Sunday, and the motives for his audacious flight were still unknown, West German diplomats

were expected to visit him for the first time early in the week.

Klaus Neubert, an embassy official, said Sunday night that the West German government had no independent confirmation of Mr. Rust's return to his home in Hamburg.

The West German spokesman said Mr. Rust had been arrested and was under investigation but that no specific charges have been brought against him. He said the embassy had not been told where Mr. Rust was being confined or by what agency.

He was reportedly led away from Red Square Thursday night by police, and some reports indicate he was being questioned by military officials.

Western diplomats Sunday discounted reports that Mr. Rust had arrived in Moscow with a woman, and some reports indicate he had come from Helsinki. Asked how long it had taken, he said: "Five hours."

"After one hour after Helsinki I had a short contact with a jet of the

Russian Air Force," he said. Mr. Rust did not say whether the contact was simply visual or whether the Soviet pilot had managed to radio his light aircraft.

A West German television spokesman said the original film, acquired from the American NBC network, which bought it in Moscow, was longer than the 90-second segment that was screened Sunday night.

The spokesman said the film did not appear to show a woman getting out of Mr. Rust's aircraft, as some reports have asserted.

Mr. Rust's father, Karl-Heinz, said from the family home in Wedel, near Hamburg, that the video color film had taken him completely by surprise.

"Simply fantastic," Mr. Rust said of his son's appearance in Red Square.

He added that he was especially happy to see how self-confident and carefree his son looked amid the Russians.

Video of Flight Shown

Mr. Rust told amazed bystanders in Red Square he had had contact with a Soviet jet during his flight to the center of Moscow. Reuters reported Sunday from Hamburg.

Audio film shot by an unknown person and screened on West German television's main evening news Sunday night showed Mr. Rust's rented plane circling the Kremlin domes, swooping in to land, then taxiing up to the Kremlin wall.

The 19-year-old flier, an overnight hero in West Germany, was shown standing in the midst of a group of excited Russians, signing autographs and answering questions in German and English.

Mr. Rust, wearing a bright red flying jacket, told a disbelieving woman questioner twice that he had come from Helsinki. Asked how long it had taken, he said: "Five hours."

"After one hour after Helsinki I had a short contact with a jet of the

AFRICA: Epidemic Is Threatening a Continent's Elite

(Continued from Page 1)

effect on the severity of the epidemic for the next five years. The people who are going to die have already been determined."

The AIDS emergency in the developing world will be a central topic in Washington this week as up to 6,000 researchers meet for the Third International Conference on AIDS.

The U.S. government in recent months has come to view AIDS as the most important emergency facing Africa, according to State Department officials in Washington.

"The disease is already present among the educated elite in a number of countries," M. Peter McPherson, then administrator of the U.S. Agency for International Development, said in a policy statement in April.

The "loss of these human resources," he said, "could severely damage prospects for economic stability and progress."

Dr. Ruhakana Rugunda, Uganda's health minister, reinforced that message last week in a speech to Kampala: "AIDS is a disease hitting mainly at the productive age group," he said. "In our experience, the disease has not spared either the ordinary worker or the executive and professional sectors."

Uganda, which has led Africa in openness about the spread of AIDS, is not an isolated case. Research in Uganda, the Central African Republic, Zaire, Rwanda, Burundi, Tanzania and Zambia has found a repeated pattern of infection among the educated elite.

In Zambia, tests of blood donors in towns of the northern copper-mining region found that 13 percent were infected with the virus. Of that group, according to Zambian health officials, 68 percent were skilled professionals.

"In a country that is just beginning to develop," asks Dr. Jonathan Mann, director of the World Health Organization's special program on AIDS, "how many young

can check the spread of the disease. Only Uganda has developed a long-term plan to fight the disease. At a meeting of aid donors last week in Kampala, more than \$6 million was pledged to support that plan.

As the aid effort continues, international publicity focusing on sexual promiscuity as a prime reason for the rapid spread of AIDS in Africa has infuriated many Africans.

In Kenya, which depends heavily on foreign tourism, foreign press reports about AIDS infections have led to stringent controls on the release of AIDS research data. A cabinet-level committee now decides what to make public.

Across Africa, there is evidence that people are getting the message about AIDS and that behavior may be beginning to change.

According to U.S. officials in Kenya, demand for condoms has jumped from 10,000 a month a year ago to 300,000 a month now. A similar demand for condoms occurred early this year in Uganda, where 500,000 U.S.-supplied condoms disappeared weeks after arriving in the country.

What alarms many health officials and researchers most about the African epidemic is that it appears to target a group that this developing continent cannot afford to lose: skilled young adults.

In several African countries, according to Dr. Mann, senior government officials and business leaders have died of AIDS. World-wide fear of AIDS could adversely affect the opportunities of Africans to obtain much-needed university and technical training abroad.

Multinational companies with large investments in Africa have begun to consider moving their operations, according to Mr. Tinker, who recently has been approached for information about AIDS by several domestic companies with African holdings.

REAGAN: Testing Ordered

(Continued from Page 1)

Health Service, as well as the World Health Organization.

Representative Henry A. Waxman, Democrat of California, who has frequently questioned the administration's AIDS plans, said Sunday that the proposal for routine testing on a large scale is "a triumph of politics in the administration over all the advice of their public health experts."

AIDS on Venice Agenda

Lawrence K. Altman of The New York Times reported from New York:

The AIDS epidemic is expected to be high among the issues addressed by the leaders of the seven-nation industrial summit conference in Venice next week.

The leaders are expected to declare the disease a major world health problem and to call for more international cooperation against it through the World Health Organization.

The leaders are also expected to support a meeting of the world's health ministers about public education, according to the theme paper agreed upon for the conference by its planners.

The recommendations that come out of the meeting will be the highest expressions of concern about AIDS yet from world leaders.

"The mere fact that the heads will have talked about AIDS, even if it is for 10 or 15 minutes — that allows national efforts to get galvanized and move forward," said Eric D.K. Melby, a special assistant to W. Allen Wallis, undersecretary of state for economic affairs.

Mr. Wallis is President Ronald Reagan's chief planner for the meeting.

Mr. Reagan is heading for the conference June 8-10 amid expectations that have been lowered by his own domestic troubles and by economic and political uncertainties in the six other nations, administration officials say.

Acquired immune deficiency syndrome is only one of many topics to be discussed by Mr. Reagan and the leaders of Japan, West Germany, Britain, France, Italy and Canada. But including the disease on the economic agenda reflects growing concern about AIDS' potential for social and economic devastation.

The leaders may debate policies for mandatory tests for AIDS infection among such groups as immigrants and foreign students, government officials and AIDS experts said in interviews. The theme paper says any steps must be "in accordance with the principles of human rights."

The conference planners' theme paper characterizes the World Health Organization, based in Geneva, as "the best forum" for international efforts to stop the epidemic. Such an endorsement could strengthen WHO's AIDS program, which has started to 30 countries.

Until drugs are found to cure AIDS or vaccines are developed to prevent it, education is the only way to stop its spread. Britain was the first country to set up a large-scale public education program about AIDS.

WAR: Israel Remains Polarized by Clash Between Ideals, Desire for Security

(Continued from Page 1)

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would harm Israel's security, inevitably shifted the debate inside Israel to the right.

In 1967, the dovish but pragmatic views of Abba Eban, who at the time was foreign minister, were squarely in the mainstream of Israeli politics. Mr. Eban's views have changed little to 20 years, but today he is on the leftist fringe of the establishment.

One key factor in this shift has been the rising political clout of Israel's "Oriental" Jews, those who emigrated from the Arab world. They constitute about 60 percent of the country's population but were long under the thumb of the Ashkenazi-dominated Labor elite.

Although Mr. Begin was a European-oriented Ashkenazi, his long years in political opposition nursed his rightist Likud into a populist movement of Israel's have-nots, of which Oriental Jews were the most important component.

Another factor pushing Israel to the right was the peace treaty with Egypt.

Anwar Sadat's 1977 mission to Jerusalem electrified Israelis and set off visions of a new brotherhood between the Middle East's most bitter enemies.

Those longings remain unfulfilled. Peace with Egypt has meant a quiet border on Israel's southwest flank but no great outpouring of affection. Israelis call it the "cold peace," and it has been a bitter disappointment for many of them.

In a survey last fall, the pollster Hancoch Smith found 63 percent supported effort by Mr. Peres to break the stalemate with Jordan. But, says Mr. Smith, when he asks what it is that Israelis are willing to give up, the numbers dwindle. Only between 33 and 45 percent in various samples express support for territorial compromise.

The peace issue rules people's lives in countless ways. Israelis spend three years after high school in compulsory military service and at least a month in reserve duty yearly after that. They pay more than half their average income in taxes to support one of the world's most sophisticated defense establishments. Defense consumes 20 percent of Israel's gross national product.

Besides draining Israel's economy, the huge defense budget has dramatically increased the country's dependency on the United States. That this has damaged Israeli sovereignty is clear in a number of recent cases, including the Iran arms affair and Israel's announcement that it would cut back ties with South Africa.

Some Israelis, including senior government officials, have expressed the fear that Israel has become an extralegal, extraterritorial arm of the American administration.

It is "a sort of second CIA available for dirty missions when the White House prefers not to go through the regular channels," in the words of a Foreign Ministry official.

Israelis similarly acquiesce in practices on the West Bank that make many of them uncomfortable; among the practices are administrative imprisonment and deportation of Arab people and the seizure of their land.

PARK: At a French Theme Park, the Magic Is Marred

(Continued from Page 1)

permission to repair its installations immediately without waiting for estimates.

Three days later, on a Sunday, tanks were spread in parking lots, which can hold 5,000 vehicles, and were scattered on roads leading to the site.

"We worked like animals for two days to get this park built," said Guy de Brotsgrillier, the company's chairman. The destruction, he said, is "revolting and scandalous."

Of the 12,000 visitors who had come to the park that day, 1,500 turned up with phony free invitations that had been distributed throughout northern Paris by anonymous tricksters.

Mirapolis officials said they believed some of the attackers had come from the Foire du Trône, a fair at Vincennes, on Paris's eastern fair at Vincennes, which operates for two months every spring.

One effect of the incidents, which caused 650,000 francs (\$108,000) worth of material damage and an estimated one million francs in lost trade, has been to reduce the number of visitors.

theme parks in France pass without incident.

They object particularly to a reduction in the value-added tax on admission tickets from 18.6 percent to 7 percent, which applies only to entrance to the modern theme parks and not to the old-style fairs.

Traditional fairs in France are estimated to provide about 300,000 jobs annually.

While Mirapolis may be intended as a French answer to EuroDisneyland, its scale is much less ambitious than that of the Disney project east of Paris that is expected to take up to 20 years to complete.

The first stage of EuroDisneyland will occupy a site 51 times bigger than the 36 acres (35 hectares) devoted to Mirapolis, although much of the land in the Disney venture will be used for golf courses, hotels and conference centers.

But the EuroDisneyland site, about 25 miles from central Paris along the main highway leading to eastern France and West Germany, is just a 20-minute drive from the Foire du Trône, a factor that is likely to accentuate the friction.

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France: Political Strains

IN THE NEWS

May 28: International Talks Begin on Terrorism

U.S. Attorney General Edwin Meese 3d and top officials from Japan, Canada and seven European countries meet to discuss international cooperation against terrorism. The meeting came as France tightened security in response to a letter from the Committee of Solidarity with Arab and Middle East Political Prisoners which threatened a "hot summer" if three convicted terrorists serving life sentences in France were not freed. The group has claimed responsibility for last year's bombing wave in Paris.

May 15: Jobless Rate Expected to Reach 11.7%

INSEE, France's national economic institute, in its outlook for the rest of the year, predicts that unemployment will rise to 11.7 percent and inflation to 3.5 percent while the growth rate will stagnate at about 1.1 percent. It attributes the rise in unemployment from the current 11.1 percent to continued economic restructuring.

May 11: Barbie Trial Opens in Lyon

The trial of Klaus Barbie, head of the Lyon Gestapo from 1942 to 1944, opens in Lyon, the city which was considered the center of resistance against the Germans. Barbie, 73, is on trial for crimes against humanity during World War II. On May 14, he began boycotting the proceedings, contending that his expulsion from Bolivia in 1983 was illegal. Barbie reappeared in court May 26, after Judge André Cerdini ordered him brought back to face witnesses.

March 28: Mitterrand, Kohl Unity Arms Approach

After more than four hours of talks, Chancellor Helmut Kohl of West Germany and President François Mitterrand announced that they have unified their positions on European defense and disarmament.

April 24: Le Pen Announces Presidential Candidacy

Jean-Marie Le Pen, the leader of the extreme-right National Front, announces his candidacy in the 1988 presidential elections. The announcement, and subsequent statements by Mr. Le Pen on television, create rifts in Prime Minister Jacques Chirac's Rally for the Republic party. Michel Noir, the Gaullist minister for foreign trade, warned his colleagues against moving toward Mr. Le Pen's ideology to capture votes. Mr. Chirac appealed for an end to the dispute, but refused to take sides.

IN THIS REPORT

TV Makes Waves 11

Privatization leads to a scramble for share of France's expanding television market.

Culinary Mystique 12

Does France's gastronomic mystique really match reality?

Warming Up for Presidential Election

Le Pen's Candidacy Exposes Divisions in Rival Parties

By Brigid Phillips

PARIS — The election for the next French president is still a year away but already it looms as a race that will tear at the fiber of the traditional parties and trouble the conscience of France.

The prospect of the election has sharpened rivalries within both conservative and leftist parties as politicians and partisans line up behind competing potential candidates. The internal tensions have come into public focus, particularly within the coalition of conservative parties that was elected with a slim majority to the National Assembly 14 months ago.

However, no issue is likely to highlight those tensions more than the question of how to react to the extreme-right National Front party.

The National Front leader, Jean-Marie Le Pen, ran for president in 1981 and culled less than 1 percent of the vote in the first round of balloting. But since then, his fortunes have turned.

He has had respectable showings in municipal and regional elections and in the 1984 election for the European Parliament. In last year's legislative election, he won almost 10 percent of the vote, which, under a new proportional voting system, gave him 35 seats in the National Assembly.

Mr. Le Pen is the only declared candidate in the presidential election that should be held next spring. With the legitimacy that he has gained from a place in the National Assembly and a solid base of popularity of about 10 percent, he has become ever more raucous in thumping his ultraconservative platform.

He believes the unemployment problem can be solved by offering jobs to Frenchmen first and sending immigrants back to their homelands. He proposes incentives for women to stay at home with their children. He demands



Raymond Barre François Mitterrand Jacques Chirac

reinstatement of the death penalty, and is regularly called anti-Semitic, racist and xenophobic in the press.

Most recently, he outraged television viewers by proposing that AIDS victims, whom he called "today's lepers," be isolated in homes "as we would do for any great epidemic."

"We should have the courage to admit," he added, "that AIDS can only be caught through drug-use and sodomy." He went on to accuse Health Minister Michele Barzach of being "an accomplice to genocide, under orders of the lobby financing pornography and sex shops."

Mr. Le Pen's positions are considered dan-

gerous by a strong majority of the French. He has been unable to boost his popularity above 10 percent in the past two years. All the main political leaders distance themselves from Mr. Le Pen, and polls show that any party that forms an alliance with the National Front is guaranteed to lose an election.

Yet, he has maneuvered into a power-broking position that goes well beyond his electoral support. He is making his issues the election issues, and he is wreaking havoc in the traditional parties.

"The biggest question today is: Will the issues of the National Front be the main issues



Jean-Marie Le Pen, the leader of the National Front.

Even if there are no outright vote-sharing deals done with the National Front, will other parties be tempted to borrow Le Pen's rhetoric in order to steal some of his sympathizers.

of the presidential campaign for the next year," said Jérôme Jaffré, director of political analysis for Sofres, France's biggest polling firm.

He added: "For the moment, other parties, and especially the conservatives are in a position of being forced to talk about National Front issues like immigrants and AIDS victims. If this continues, the National Front will gain an influence far more important than the percentage of votes it gets in the presidential election. Today, the French political scene is ailing from an illness caused by the extreme right."

That is what many politicians worry about

in this long run-up to the election. Even if there are no outright vote-sharing deals done with the National Front, will other parties — especially on the right — be tempted to borrow Mr. Le Pen's rhetoric in order to steal some of his sympathizers.

That question was posed recently in a front-page lament in Le Monde by Foreign Trade Minister Michel Noir, a young and visible member of Jacques Chirac's Rally for the Republic party. "Are we," he said, "ready to sacrifice our souls in order to win elections?"

Continued on page 10

Defense Policy Shifts From Isolationism Toward Europe

By Kenneth R. Timmerman

PARIS — Ever since De Gaulle returned to power in 1958 and finalized work on the French strategic nuclear force, French defense policy could be summarized in a single phrase: securing the national sanctuary.

However, over the past five years a series of gradual shifts have brought about a major change in French strategic policy.

In a speech last September at the French National Defense Institute, Prime Minister Jacques Chirac announced that France was abandoning its isolationist defense policy.

Mr. Chirac emphasized that France's security no longer depended on the national sanctuary alone, but would be "played out on the borders of her neighbors." He added that threats to French security "could also come from the sea, which covers more than two-thirds of the globe."

French strategists have long debated the role that French armed forces should play in the defense of Europe. Even De Gaulle, who pio-

neered French isolationism, insisted that the French 2d Army remain stationed in West Germany despite France's pullout in 1966 from the NATO integrated command.

The gist of French conventional strategy then became the ambiguity of when and where French forces would join the battle before the suicide weapons of the French nuclear force were unleashed.

But, in fact, according to a 1985 West German defense white paper, secret agreements were drawn up between France and the North Atlantic Treaty Organization specifying how the French would coordinate with the integrated NATO forces in central Europe.

Further clarification of this role was made on Feb. 25, 1982, when President François Mitterrand of France and Chancellor Helmut Schmidt of West Germany announced the formation of an "alliance within the alliance."

Until the French Socialists came to power in 1981, the idea of a "French-German pillar" to European defense, set out in the Elysée Treaty of 1963, had remained a dead letter.

But soon after the Socialists took office in June 1981, Prime Minister Pierre Mauroy began describing Western Europe as a common

"space of defense" and called for "an autonomous center of military decision in Europe."

After the 1982 French-German summit meeting, military cooperation between the two countries increased dramatically, with biannu-

'We are advancing toward a European defense.'

al meetings between the French and West German defense ministers, joint troop maneuvers in West Germany and cooperative armaments development.

The following year, a major reorganization of French ground forces was ordered by Defense Minister Charles Hernu to increase their

mobility in the European theater. An "air mobile" division was created, with 240 attack and anti-tank helicopters, as the centerpiece of the 47,000-member Rapid Deployment Force.

As Chancellor Helmut Kohl of West Germany said in Paris recently, the perception of a shared European defense has become so strongly anchored that most Germans realize that "French soldiers serving in West Germany are also defending our freedom."

However, the most spectacular move toward a European defense was Mr. Mitterrand's offer in January 1986 to consult with Bonn in times of crisis on the use of French tactical nuclear weapons.

In a press conference in Paris on May 22 following a French-German summit meeting, Mr. Mitterrand called the French strategic nuclear force "an important contribution to NATO's deterrent" capability, even though the final decision concerning its use remained with the French president.

"We are advancing toward a European defense," he said. "Both Germany and France are moving deliberately in this direction."

However, there can be no joint French-

German military command as long as West Germany remains in the integrated NATO command, and France without.

"The problem is that the French have their own disparate command," said Manfred Wörner, the West German defense minister. "And the joint NATO command structure is a deterrent factor of high degree. An attacker knows he is going against several countries at once. It is a problem the French will have to resolve."

Whether or not France will opt to rejoin the NATO integrated command remains an open question. Noting "the paradox" that West Germany lacked a nuclear deterrent despite its NATO membership, while France had a nuclear deterrent while remaining outside the NATO command, Mr. Hernu said that this "could lead in coming years to modifications in the legal statutes of the Atlantic alliance."

Mr. Hernu is not alone. The French military establishment has responded favorably in recent years to the upswing in French-German military cooperation, and sees German

Continued on page 12

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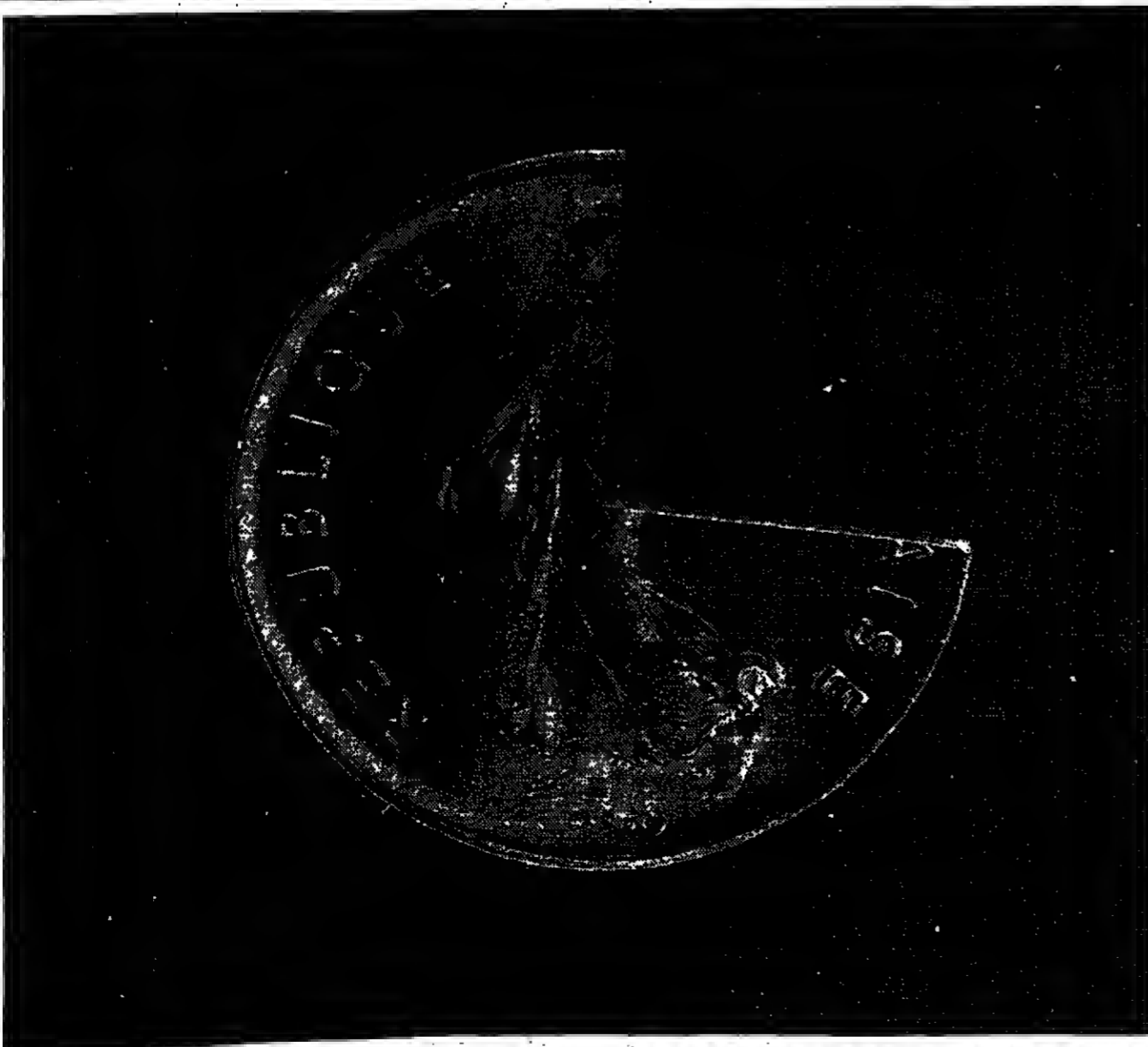
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Privatization Proves Inefficient

By Vivian Lewis

PARIS — Criticism of the way French companies and banks are being privatized is mounting. The government, and particularly the team at the Finance Ministry handling the selling off of state-owned firms, is being attacked by the Socialists led by Pierre Bérégovoy, a former minister of economics, for mispricing and for cronism, for interfering with free markets and for conflicts of interest.

The privatization system is already proving inefficient, and if newly private shares continue to be seen as a sure way to earn money fast (by staggardly selling shares for a profit after subscribing) it may even become unworkable.

Meanwhile, newly denationalized firms like Paribas, are under attack by their new shareholders for failing to give board representation to the overwhelming majority of shareholders, 3.2 million small French investors who own four shares each.

Since success of privatization will be a key plank in the 1988 election campaign of Prime Minister Jacques Chirac, these charges are too serious to be ignored. Successful denationalization, the French are beginning to realize, will not only be a matter of finding buyers for equity formerly held by the state. How they are found matters too.

A major issue is the price at which the shares are sold. In order to be sure to sell the shares it is offering — and to make sure the public will make money from denationalizations in the longer term — the Finance Ministry has pitched prices low.

One result has been that the French have learned to staggardly bid on new issues in order to sell with a gain as soon as trading begins. This tactic has already been adopted by 20 percent of the purchasers of Paribas stock, despite the chances of a one-for-10 free share in 18 months if they hold.

Fearful of attack from the Socialists, the team around Finance, Economics and Privatization Minister Edouard Balladur has also tried to control information about pricing.

During the drawn-out process of attributing shares to French resident individuals, who have priority in purchase under the denationalization law, trading on the "gray market" operated by London brokers will already have begun — at a premium.

But to try to control French demand for the new stock, the government has clamped down on quotation or even newspaper publication of gray-market prices in France.

Some French investors, realizing that the number of shares they are likely to receive will be reduced, have used their applications for every member of the family. This is one reason the number of shareholders has skyrocketed in France. Although a French bank is accused of fraudulent multiple filings in the British Gas privatization, there have been no charges of fraud so far within France.

The system is resulting in a paperwork nightmare for banks and brokers handling the applications, and for the newly privatized companies to deal with. Furthermore, chances are that what France is achieving is not so much a broadening of share-ownership as a multiplication of the number of accounts among members of families that already are in the habit of owning stock.

Company	Offer Price*	First Trading Day	At Close May 29
St. Gobain	310	968	444
Paribas	405	530	488.50
CCF	107	125	132

* Price per share in French francs.

To try to stop the proliferation of new brokerage accounts, brokers like Jean-Pierre Pinotot are requiring that a minimum cash balance of 20,000 francs (\$3,500) per account be maintained.

One long-simmering issue has now come to the fore over privatization. French companies are reluctant about getting information to their shareholders. For example, they do not maintain a shareholders' roll in order to inform them about annual or interim results, splits, rights issues or annual meetings. Proxy fights are impossible, because bidders cannot contact shareholders.

The replacement of paper shares with electronic bookkeeping entries has made matters worse. Many shareholders who wanted to attend the first post-nationalization annual general meeting at Paribas simply could not get an admission ticket from the bank or broker holding their stock.

A related problem is that shareholders under French law may not vote by proxy — only in person. Frustration resulting from lack of information may be one reason there is so much agitation to get representation on the boards of denationalized companies for small shareholders.

Some of this agitation may result in needed reforms of French stock market traditions. Ownership without representation is not shareholder democracy.

Perhaps more politically dangerous in the long term are accusations of cronism and conflicts of interest. Sometimes the charges made in the French press border on the ridiculous, like the theory that Mr. Balladur is looking for a job for himself at a denationalized company after he leaves the Finance Ministry.

But there seem to have been some odd inclusions, and omissions, among the block shareholdings sold during some recent bank privatizations. The system sets up a hard core of French institutional investors who pay a premium over the public underwriting price in return for a block of shares and a say in the future of a company or bank.

The dismissal of the former Socialist-appointed chairman of the Banque de Travaux Publics shortly after its privatization made it clear that politics does have a role in the designation of new owners.

In addition to paying a premium, the block shareholders have to keep their stock for a period of years. But unlike the public, they can get exactly as many shares as they seek and do not face reduction because of excess demand.

The international side of the selling off is not very popular either. Bidding is essentially confined to institutions outside France, just as it is essentially confined to individuals inside France.

Banks that sought permission to have their shares listed outside France were turned down by the Finance Ministry.

One reason is that the Finance Ministry distrusts foreign markets even more than it distrusts French ones. Fearful that a foreign listing will result in a demand for denationalization issues that it cannot control, the ministry has consistently blocked attempts by privatization companies or their underwriters to make a public listing outside France.

VIVIAN LEWIS, a Paris-based financial journalist, is a regular contributor to The Banker and the International Organizations Monitoring Service.

Firms Mobilize to Invest Abroad

PARIS — French companies are not going to miss the chance that a declining dollar gives them to buy U.S. assets cheaply. For those companies with global ambitions, 1987 is likely to be a year of international, and particularly U.S., investment.

In order to internationalize their investments, these French companies will have to internationalize their capital and borrowing as well.

However, because of nationalism at home, French companies are not always as free as their foreign rivals to become truly multinational.

A sign of the times is the decision by Sanofi, a pharmaceutical and cosmetics firm quoted on the Paris stock market although it is two-thirds controlled by the oil company Elf-Aquitaine, to apply for quotation on the Swiss and West German markets as part of a capital increase in May. Sanofi hopes to win shareholders from Benelux and Britain as well as West Germany and Switzerland.

Its parent, Elf-Aquitaine, which is quoted on the Paris Bourse although it is controlled by the French government, plans to gain a listing this year on the New York Stock Exchange. This will be the first Big Board listing for a French parent company. But because Elf directly and Sanofi indirectly are controlled by the government, it is difficult to dissociate their management policies from government ones. Furthermore, even French private sector companies are limited in their internationalization.

French private sector multinationals, such as Lafarge or Cluh Mediterranée, already have their U.S. subsidiaries on the New York Stock Exchange.

Others, such as BIC Corp. or Liquid Air, subsidiaries of BIC and Air Liquide, are traded over-the-counter in the United States. These listings are either the result of marketing ploys aimed at winning consumer support or result from takeover bids of listed firms.

But their parent firms, fearful of losing control to foreign investors, so far are not listed outside France.

Lafarge is a cement firm, which bought General Portland and in late 1986 for preferred stock the National Gypsum Algeria plant. It has important interests in biotechnology, partly in joint ventures with Aji-No-Moto of Ja-

pan; Cluh Med runs holiday camps worldwide; BIC makes ballpoint pens, lighters and razors; and Air Liquide is the world's leading producer of industrial gases through the takeover of Big Three Industries in the United States last year.

Lafarge is being advised by Nikko Securities in its efforts to gain a listing this year in Tokyo.

Other French firms that are said to be hoping to raise equity in Japan are Louis Vuitton, BSN, Moët-Hennessy, Air Liquide and Paribas, a recently denationalized bank. Before the French government took it over in 1982, Paribas was the only French firm with a Tokyo listing.

Another mark of the times is the increased internationalization of French bond market operations. In December, Rhône-Poulenc, a nationalized chemical company, helped pioneer the use of perpetual floating rate capital notes as a way of increasing capital without selling shares. It could not do this because it had already issued the 25 percent maximum in preferred shares allowed to state-owned firms under French law.

The issue raised \$300 million which, along with money market preferred stock raised in the U.S. domestic market, helped pay for the acquisition of the U.S. agricultural chemical subsidiary of Union Carbide.

There are important regulatory and psychological obstacles to worldwide capital-raising by French corporations. These obstacles hinder them in creating foreign subsidiaries, in worldwide research, in siting production where it is most rational to do so.

One problem is exchange controls, which cut the French market off from the international flow of both currency and capital. Although somewhat weakened, the system still interferes with major bond or share issues by French companies.

Foreign share or bond issues, intercompany loans, forward cover or prepayment of interest and principal payments on loans are subject to rules requiring prior notification of the French Treasury, and sometimes prior approval, queues, etc.

But exchange controls are only a symptom of a wider problem, the way the French government and unions, and ultimately industry, view the world. Inward investment in France is

closely monitored and often interferred with on trivial grounds. This was the case when a bid by Carlo de Benedetti for control of Valéo, a troubled auto parts manufacturer, was blocked because of national security considerations. A small part of Valéo's business is in making brakes for tanks.

If Rhône-Poulenc or another state-owned firm won permission to privatize its shares, only a maximum of 20 percent could be sold to foreigners under French law. This contrasts with the situation in most other European countries and the United States, where corporations either do not know the nationality of those who own them, since without exchange controls it is hard to track investment, or do not particularly care.

Unlike Novo Industri of Sweden, Telefonica of Spain or General of U.S., Dutch, British or Japanese companies that are controlled by foreign investors, French multinational corporations seek to prevent foreign investors from getting a major stake.

French unions and the government force companies to justify overseas investment by pledging that such an investment will not eliminate jobs at home. A decision to maintain a laboratory in the United States, such as Rhône-Poulenc is doing with a former Union Carbide facility in North Carolina, has been fought for. But a worldwide company must centralize research and development.

French companies typically account for their annual reports with figures about their net contributions to French exports or the balance of payments. They give not only their foreign sales but also their foreign sales manufactured in France. Although these numbers are probably not accurate, this exercise in nationalism is a thing that few non-French firms would consider. For France it is typical.

Although other countries also practice job protectionism and may also interfere with direct investment on trivial grounds, the debate is different in France because no one in industry appears to be willing to tackle the philosophical sacred cows: mercantilism, protection of domestic jobs, doing research at home, selling goods or know-how abroad even at a loss, or keeping foreign investors from controlling a company.

Vivian Lewis

Le Pen Exposes Divisions in Rival Parties

Continued from page 9

There are many symptoms today of the early 1930s when the end of an economic crisis sparked upsetting increase in extremism — we have no right to allow development of hatred, racism, anti-Semitism.

Mr. Noir was reprimanded for so openly exposing the divisions within both the RPR party and its coalition partners, the Union for a French Democracy (UDF). But not before the damage was done. Mr. Noir's soul-searching statement set off a scurry to take sides on the question, with some seeing the expediency of trying to capture Mr. Le Pen's base of rightist voters and others, like Mr. Noir, arguing that such an approach only legitimizes extreme-right philosophy.

The incident will almost certainly be resolved with statements over the next few months reaffirming the conservative parties' refusal to form any partnership with the National Front. But Mr. Le Pen has already achieved much of his purpose — he has caused open disarray in the ranks of the traditional right and he has made his own ideas the center of debate.

The strain caused by the debate over Mr. Le Pen only adds to the existing problems within the conservative coalition over the choice of presidential candidates.

Mr. Chirac is virtually certain to run. Former Prime Minister Raymond Barre is also

considered a sure candidate. Former President Valéry Giscard d'Estaing has reluctantly pulled out of the race. But the young culture minister, François Léotard, is still a possible contender. If the possible candidates all decide to run, it would seriously fragment the rightist voting base, already splintered to some extent by Mr. Le Pen. Pollsters agree that that would inevitably help the Socialist Party.

The Socialist Party won a majority in the National Assembly in 1981 but lost to Mr. Chirac's coalition last year. It can take some comfort from the divisions in the rightist coalition. Socialist President François Mitterrand has recently surged ahead to take a convincing lead as the most popular presidential candidate. Yet that popularity may be an illusion.

Mr. Mitterrand is viewed as above the fray and a sagacious higher authority who has managed to govern for the past year with a conservative prime minister without compromising his Socialist principles.

"The Socialist experience since 1981 is perhaps the Socialists' greatest chance for success," Mr. Jaffré said. The French, even rightist voters, are no longer afraid of a left-wing government. They have seen it isn't that different from conservative governments. So the Socialists may benefit from their own experience as well as the divisions within the right to make gains.

It is doubtful, though, that the more than 50 percent of the voters who rate him No. 1 would

actually vote for him for a second seven-year presidential term. Voters have trouble seeing what new program he would offer.

Also damaging Socialist chances is the fact that Mr. Mitterrand may not announce whether he will run until it is too late for other aspiring Socialists, such as the popular former agriculture minister, Michel Rocard, to prepare a campaign.

The Communist Party is the worst-placed of all the parties. Its leader, Georges Marchais, announced a year ago that he would not run for president after the Communist's dismal showing of 9.7 percent in legislative elections in 1986, compared to the 20 percent they received in 1978.

Much of that support may be going to the Socialist Party, which is unlikely to consider any leftist partnership with the Communists, such as the short-lived alliance they formed in 1981.

The Central Committee of the party recently gave the nod to the uncharismatic, early, long-time party official André Lajoinie to run, in what many observers saw as a cynical move that will bolster Mr. Marchais's position as secretary-general of the party at the expense of any hope for electoral success.

BRIGID PHILLIPS is a Paris-based journalist.

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Privatization Leads to Scramble for Share of Expanding TV Market

By Mark Hunter and Lise Bloch-Morbange

ANTIBES — Sitting barefooted on the upper deck of his yacht, Robert Maxwell, the British media magnate and owner of a 12 percent share in the newly privatized French television network TF1, was asked if it were true that he was negotiating with his putative business rival at the 5th network ("La Cinq"), Silvio Berlusconi, for joint investments in a European satellite TV channel and co-productions in Spain. "I have written to Mr. Berlusconi," said Mr. Maxwell, "that he can't go on fighting so unreasonably against Bouygues and still remain a cooperator with me in Europe." He was referring to Francis Bouygues, chairman of Bouygues SA, one of the world's largest construction companies, and Mr. Maxwell's majority partner in TF1, with 25 percent of the capital.



Robert Maxwell, left, and Francis Bouygues, part owners of newly privatized TF1.

The practices that Mr. Maxwell considered unreasonable included "suggesting 10 times the going rate" in salaries for such former TF1 stars as the variety show hosts Patrick Sabatier, Stéphane Collaro and Patrick Sébastien.

They and others were hired by Mr. Berlusconi for La Cinq only days after the National Commission for Communication and Liberties chose the group of investors headed by Mr. Bouygues and Mr. Maxwell in a highly public competition to buy TF1 from the state for 3.5 billion francs (about \$583 million) on April 16.

These were only the latest developments in the French audiovisual scene. The situation was summed up by Pierre Lescure, director general of the Canal Plus cable TV network: "Do you realize what an obscene mess is going on here?"

Certainly, the good old days of French television are gone forever. They began with TF1, France's sole, state-owned network until 1964, when the state opened Antenne 2. In 1977 came FR3, also state-owned. Both FR3 and Antenne 2 are still state-owned. The private sector entered the scene only when Canal Plus's encrypted signal was sent to subscribers on Nov. 4, 1984, a date now regarded as the start of a revolution in the French media.

The revolution took a giant step on Feb. 20, 1986, when France Cinq, a network formed by the financier Jérôme Seydoux with Mr. Berlusconi, who runs

three networks in Italy through his Fininvest Communications company, came on the air.

France Cinq's charter, negotiated by the then-Socialist government, gave the network the right to broadcast off the city-owned Eiffel Tower. This infuriated Jacques Chirac, the mayor of Paris. The French film community was also horrified that, for the first time on French television, movies on France Cinq would be interrupted by commercials.

After the March 1986 election of a center-right parliamentary majority headed by Mr. Chirac's Rally for the Republic, and amid threats of lawsuits by Mr. Seydoux and Mr. Berlusconi, Prime Minister Chirac annulled France Cinq's concession last Aug. 2. He also annulled that of TV6, a music video network modeled on the American MTV, which had been established under the Socialists concurrently with France Cinq.

At that point, the newly created and ostensibly independent National Commission for Communication and Liberties was handed the job of parceling out the airwaves. On Feb. 27, the commission awarded France Cinq's frequency to a consortium led by the highest bidder Robert Hersant, with 25 percent of the capital, and Mr. Berlusconi, also with 25 percent. (Mr. Berlus-

coni and other officials of La Cinq declined to be interviewed.)

The 6th channel was given — unlike TF1's assets, the airwaves for these networks were granted free — to an investment group dominated by the Compagnie Luxembourgeoise de Télédiffusion and the Lyonnaise des Eaux, France's largest cable TV operator.

Interruption of programs and films by commercials is now standard on TF1, La Cinq and M6. That was the first sign that a stable, state-owned television system had become an open battleground. At stake are the audience shares and advertising revenues on which the state networks, like the private sector, depend for operating funds and profits.

Though partly financed by a yearly tax paid by owners of television sets, Antenne 2 and FR3 also claim 2.2 billion francs in advertising revenue annually. This is nearly 30 percent of the 8.5 billion francs spent on TV advertising in France last year.

Antenne 2's advertising sales provide two-thirds of its budget, according to Jean Drucker, president of the network until he moved to the helm of M6 in March.

Similarly, though Canal Plus depends primarily on a monthly charge of 150 francs to its 1.8

million subscribers, Mr. Lescure acknowledged that 200 million francs of its revenues, covering 8 percent of the company's receipts and its profit of 115 million francs, were derived from advertising last year.

It is already questioned in the television community, and to some extent in the government, whether there is enough advertising money to support six broadcasters, especially in light of a recent government decision to ban the advertising of alcoholic beverages from the airwaves, a cut of 800 million francs from this revenue pool.

"There is room for all six channels if the financing of each is adapted to its nature," Mr. Drucker argued, "Canal Plus should get its resources from its subscribers."

Mr. Lescure replied that "we take only 2 percent of total advertising revenue."

Mr. Drucker continued, "The two public channels should be complementary in terms of programming, like BBC One and Two, and entirely supported by public funds. Then there would be enough advertising to support three commercial networks."

"Six networks can't live in the current system," said Antoine de Clermont-Tonnerre, chief executive officer of the Editions Mon-

diales media corporation, a minority shareholder in TF1. "If some sectors are forbidden to sell advertising, maybe."

Mr. Chirac advanced the idea of such a mixed system in April, suggesting that FR3 stop selling advertising time and be targeted toward a more selective audience, while Antenne 2 reduce its ad sales.

In September, the three private channels will unveil their own programs. TF1 and La Cinq will be direct competitors, aiming for a maximum of audience share. For technical reasons, such as outdated antennae, only one-third of French homes currently receive La Cinq, a figure the network hopes to upgrade to 85 percent by next spring.

M6 also only covers one French home in four. Its ambitions, however, are more restricted. Mr. Drucker hopes to expand his coverage to 24 million homes within the year.

The six channels will show 1,200 new and old movies this year, about 10 times France's annual output of feature films. Not coincidentally, last year French networks invested 205 million francs in film co-production and TV rights, nearly 10 percent of all investment in French cinema.

Aside from FR3, whose programs are regional and cultural, and Canal Plus, which depends on un-interrupted films and sports events and has thus earned a 94 percent subscription renewal rate, according to Mr. Lescure, the other networks have one ingredient in common — re-runs of American television series.

Moreover, national series pro-

duction cannot compete with U.S. reruns, either in quantity or in price to the networks. Once an American show is amortized in its home market, its rights can be sold in France for an average of 150,000 francs per hour.

Even the 600,000 francs per episode of "Dallas" that was paid this year by La Cinq is far below the average 4 million to 6 million francs required to produce an hour of TV fiction in France.

Industry leaders agree that it will be 5 to 10 years before European-produced series can compete with American ones. Two of the key elements, Mr. Lescure said, will be upgrading the low pay scale for TV writing in France and shifting production facilities from film to television.

Another will be the creation of a trans-European market for programs produced on the Continent, an idea, Mr. Maxwell said, "whose time has come" and which is already exerting a powerful influence in France.

By February 1988, three communications satellites — TDF-1, Astura and Eutelsat — are projected for launch, permitting direct trans-continental broadcasting to homes equipped with satellite dish receivers and cable relay stations.

It is thus not surprising that in May the French Ministry of Culture and Communications negotiated co-production accords with West Germany's ZDF and ARD publicly owned networks and with the Italian state-owned RAI network.

A similar movement is occurring in the private sector. Canal Plus has announced the invest-

ment of 400 million francs in feature film productions, while Editions Mondiales has signed co-production contracts with Galaxie TV in Munich, Revoom in Australia and ABC in the United States.

The kicker in these gambles is that French broadcast regulations require networks to show a minimum of 50 percent of programs in which 25 percent or more of the production capital originated in France.

Since 1984 various interests have been pressing the European Community, with the support of the French government, to apply similar rules on a Continental scale.

"The idea is to cover Europe as quickly as possible," said Mr. Maxwell, adding that 1992, the date when trade barriers will be abolished within the EC, "is a lot closer than people think."

The rush outward from France concerns Mr. Lescure. He argues that neither a trans-continental advertising base nor a programming philosophy adapted to Europe's different cultures yet exists.

Yet Canal Plus is a candidate for a channel on TDF-1. The final choices will be made by June 15. The company is also working on a cable format, "halfway between Home Box Office and an American network," said Mr. Lescure. He said it "could be exported to England, Germany, northern Italy and Spain."

"It's now or maybe never," he added.

This urgency is at the core of the turmoil in French television.

MARK HUNTER and LISE BLOCH-MORBANGE are journalists who write frequently on European media and cultural affairs.

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Following the Ordinary and Extraordinary General Meetings of Shareholders on May 26, 1987, the Board of Directors set the schedule for the capital increase, subscription to which is reserved to Compagnie Financière de Suez as well as to Société Générale, Paribas, B.N.P., U.A.P., and Crédit Lyonnais. The 2,516,000 shares, issued at F.F. 532 per share and representing F.F. 1,338.5 million in new equity, will be fully paid up on June 16th.

FREE STOCK PURCHASE WARRANTS.

The Board of Directors, at a meeting scheduled for June 22nd, will decide on the distribution to all shareholders of free stock purchase warrants. The detailed terms and conditions will be announced at that time. These warrants will be listed on the stock exchange.

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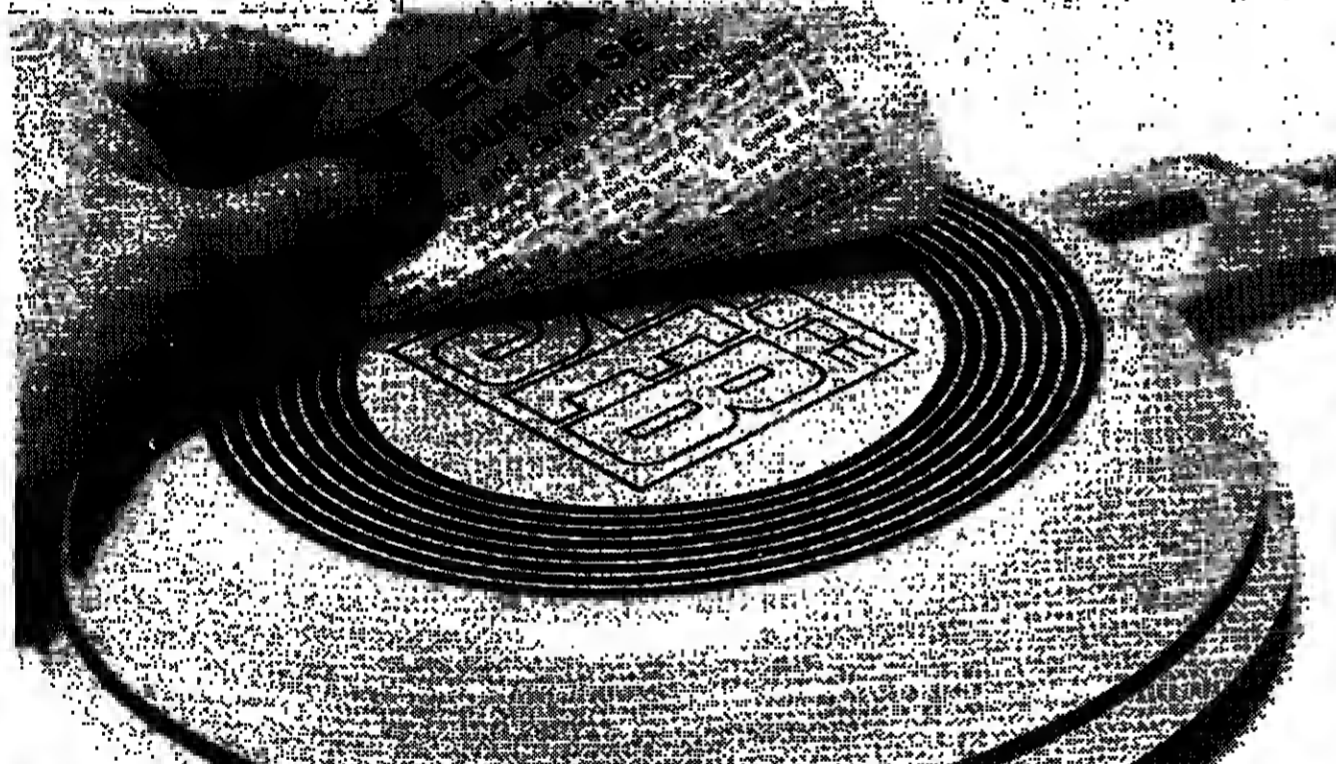
The Annual Shareholders' Meeting approved a dividend payment of F.F. 6.50 per share (plus tax credit), an increase of 12.1% over the dividend paid in 1986. The Meeting also decided that shareholders may opt for a dividend payment in shares at the price of F.F. 474 per share. The dividend coupon will be detached on June 23rd and paid on August 4th.

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Does the Gastronomic Mystique Really Match Up to the Reality?

By Patricia Wells

PARIS — Over the past two years, I have journeyed 50,000 kilometers throughout France, about 30,000 miles on high-speed trains and slow, mountainous roads, interviewing hundreds of men and women, discussing the elements that are basic to France's tradition of gastronomy.

I have talked with Loire Valley goat farmers and Roquefort cheesemakers, Breton crêpe-makers and France's best chefs, scallop and lobster fishermen, certifiably insane bakers, escargot processors, sea salt rakers, walnut oil pressers, winemakers, cheese-agers, pig whole-salers, and two brothers who make a living growing zucchini blossoms.

Along the way I have worked alongside many of them — curing a 300-pound (136-kilo) pig, conserving foie gras, digging in icy soil to unearth black truffles, learning to distinguish edible wild mushrooms from the deadly ones. And in towns all along France's two coasts, I have gotten up in the middle of the night to greet fishermen as the sun came up, arriving with their catch of anchovies, sardines or fresh white tuna.

Wherever I went, I searched out the most authentic and the best, and this invariably brought me to the "small guys," the artisans, farmers and producers who work independently. As a consequence, I spent a lot of time in villages too small to rate their own postal code and I talked with Frenchmen far removed from the excitement of Paris and the glamour of the country's famous kitchens.

Throughout my journeys, I searched for answers to two basic questions.

The first was how, in this endlessly homogenized world, has France managed to retain its undisputed role as the maker, the shaper, the ruler of Western cuisine? Others challenge it — Italy notably has a joyous gastronomic tradition and there are remarkable tables in that sensuous country. And elements of American cooking are emerging in many noteworthy ways. But France's cuisine remains the stan-

dard by which all others are measured, to which all others are compared.

The second is, can all this continue? Already, in the decade or so I have been traveling and living in France, I have seen anonymous chain supermarkets — with their heads of lettuce slowed on the way to Paris so they could be individually wrapped and sanitized — squeeze out small vendors whose produce was fresher and far more aesthetic. I have watched the trend to cheeses whose taste has nothing over Velveeta, and I have mourned as neighborhood traiteurs and charcuteries disappeared in the favor of trendy, fast-food eateries.

As I carefully searched out, then documented, the gastronomy of contemporary France, I asked dozens of questions whose answers would reflect on those two big ones. All the while, I focused on the present rather than the past, on reality rather than the myths that have outlived the past.

In many ways, I began this project because, as a journalist trained to seek out the facts, I found myself constantly frustrated by the fact that so much of the "common knowledge" about French gastronomy was sheer invention. I discovered that the "primary source" for some of the authors I had respected turned out to be the Michelin Green guides, and their descriptions of methods and practices were poetry or fantasy, or just plain misinformation.

In my staunchly journalistic way I was determined to avoid the appeal of mythmaking and to try to inform readers about how things are today rather than romanticizing the past.

Along with concentrating on the present, I operated on the premise that any cuisine has its source in the tastes and traditions of a nation, not simply in the kitchens of its elegant restaurants, and that its fields and vineyards are more important to preserving those tastes and traditions than its grandest chef. I don't know that I have arrived at final answers to my two questions, but I do have clues and leads, vivid impressions and, of course, opinions.

I quickly came to the realization that no matter how exhausted I was from getting up



Hubert Coré-Mourou

early to greet a fisherman with his catch, or interview a baker as his first batch of bread went into the oven, the person I was interviewing probably worked much longer hours and much harder physically than I ever could. Moreover, the next day, the day after that, and the next year and the next decade, he would go back to that job with thoroughly unrestrained dedication.

And if there is one theme I heard time and again, it was the three simple phrases I heard repeated from Alsace to Brittany, Gascony to the Alps of Provence: "We do not count our hours. We love our work. We think that it has value." In part, that was because I was talking to "the little guys" — the men and women who themselves raise the mesclun, who pick the grapes, cure the olives, dry the prunes, knead the bread, smoke the sausages, or age the cheeses that have come to mean, in our gastronomic minds, France.

For most of the people I talked with, their involvement with food is not a job. It is a passion, an emotion and involvement that lie somewhere between deep love and religious zeal. There is the fish chef who told me he

dreamed about fish every night, and who spends five hours each day in the market in Cannes, selecting each fish he serves in his restaurant. There's the Beaufort cheesemaker who rejects artificial insemination of his cows because, he insists, only contented cows give great milk. (Besides, he was so proud of his bull.)

These people aren't doing it for money, because they really don't earn a great deal, or for prestige, because farm work is short on that. They are motivated by unrestrained zeal for what they do and by centuries of tradition.

I don't know that this sort of fascination, respect and knowledge will last forever. Industrialized food continues to make inroads in France, working to confuse the palate or even destroy it. And the market for processed, quick-and-ready food expands as — I regret to say it — French society becomes more Americanized.

There were times, of course, when searching out the little guys was not enough. Good intentions, hard work and low-grade flour will still make bad bread. Cheese made from milk that has been pumped, chilled, churned and reheated just won't turn out as well as cheese made from milk still warm from the cow. And even the cheese that is made with this wonderfully fresh milk won't taste wonderful unless it has been given time to age.

Despite such negative factors, regional cuisine is alive and well and even enjoying a resurgence. Throughout the country authentic, regional restaurants are thriving while their flashier homogenized competitors struggle for a clientele.

In the Savoy you can still find restaurants serving an honest *frisure* of tiny fish fresh from the alpine lakes. Along the French-Spanish border, near the village of Cérret, there is a restaurant that still serves a traditional *cargolade*, a wonderfully hearty assortment of snails, pork sausage, lamb and hood sausage, all grilled over an open fire fed with vine cuttings. In Normandy's markets, that day's catch of shrimp still squiggles in the fishmonger's bins,

and great brasseries nearby still prepare them *à la minute*.

You can still get daubed-out in Provence, lobstered-out in Brittany, eat your fill of great hearts in Gascony. There is no paucity of great regional fare, just the time and the temperament to seek these places out.

Another encouraging aspect is that gastronomic history is not being forgotten. The *route Tatin* at the Hôtel Tatin in Lamotte-Beuvron may not merit a special trip, but it really is pretty good. And if you do go there to dine, you can see the stove where those sisters supposedly "invented" that wonderful upside-down apple tart.

Quality is a tradition in French cuisine, and the French respect for both quality and tradition will help protect the nation's gastronomy for a long time. Which is not to say it will be preserved intact.

In my travels I have encountered a variety of deceptions, situations that are not quite what they seem. It may be something as small as the fact that the majority of the truffles preserved in the Perigord actually come from the other side of France, in northern Provence. These "cans of worms" — the label on the file I put them into as I worked on sorting them out — add up to a basic, disappointing discovery: Many of the products that have made French cuisine famous no longer come from France. That foie gras you rave about in Michelin-starred restaurants? There's a 75 percent chance it came from Hungary, or Poland or Israel. Those luscious escargots? Probably from Hungary. The frog's legs? From Yugoslavia. The brochet in your quenelles? Canada. The mustard grain in your Dijon mustard? From Kansas.

Authenticity of origin is a hard question to deal with. Were the products better when they were French? No doubt they were. Food is invariably better the closer it is prepared to its source. But how much better? My decade here isn't enough for me to answer that.

Scallops from Ireland, mussels from the Netherlands and olives from Spain may not destroy French cuisine or end its traditions.

But the effects of the contemporary economic order are shattering some aspects of regional gastronomy.

The economic cooperation brought about through the European Community has indisputably raised living standards throughout Western Europe. But the EC's agricultural policy is leading to a steady, irreversible industrialization of farm practices.

Inevitably, this will mean that the price difference between a farm-raised chicken from Bresse and a factory-produced one will drive all but the most committed Bresse poultry farmers out of business. That a *poulet de Bresse* will become as rare as caviar and just as unaffordable is truly lamentable.

Yet, basically I came away from my research with my optimism intact. In another generation, I doubt there will still be farmers in the mountains of Cantal, milking their cows by hand, living in stone shacks that lack electricity and running water (but not a telephone). But the tradition of making good cheese will still be alive. Old Tante Paulette and Tante Yvonne won't be feeding us their *poulet au vinaigre* or *daube provençale*, but someone will come along to fill their shoes.

Certainly, frozen food sections will grow in supermarkets, that drive-in baguette shop I saw in Avignon will no doubt breed offspring, and there's no question that McDonald's and Love Burger are here to stay.

But a good percentage of the authentic, dedicated food people I've met over the past two years will be around to see the new century in, and I'm convinced that the passions of men like Paris's baker Lionel Poitâne and Lyon's chocolate-maker Maurice Berthelin will not only get us on through just a little bit longer, but inspire successors who are determined not to let their teachers down.

PATRICIA WELLS is the International Herald Tribune's restaurant critic and author of the just published "Food Lover's Guide to France" (Workman).

Defense Is Moving Closer to Europe

Continued from page 9

strength in conventional armament and the French nuclear deterrent as "complementary."

Less known have been the extensive discussions between the French and British chiefs of staff on the feasibility of forging Europe's only two independent nuclear forces into a single deterrent extended to all Europe.

Another idea involves the reinvigoration of the West European union as a means of sidestepping the thorny legal problems created by France's special status within NATO. Relations between individual European nations and NATO will then be modified on a bilateral basis.

"We are a long way from a coordinated European defense," French strategist General Jean-Louis Lacaze said, adding that the new Soviet disarmament proposals, "by raising the specter of an American disengagement from Europe, are pushing us faster in this direction than before."

A survey published in April by the French newsweekly *L'Express* showed that the French public and the strategist are thinking along similar lines.

Eighty-eight percent of those polled favored the creation of a joint European defense system, while 54 percent wanted to bring West Germany into a European nuclear deterrent force.

"One thing is certain," wrote the editorialist, Jean-Paul Pignasse, France's "splendid nuclear isolation is over."

There are many signs of a gradual, de facto reintegration of France into NATO, not the least of which is the extent to which the French have been consulted in the attempt to arrive at a joint NATO response to the "double zero" option.

After meeting with the NATO defense ministers of the nuclear planning group in Norway, the chairman of the joint chiefs, Admiral William J. Crow Jr., came to France on May 16 to meet with French military leaders.

The French have consistently refused to allow their nuclear deterrent to be included in the U.S.-Soviet negotiations and have long held that disarmament talks should begin by a 50 percent reduction in the strategic arsenals of the two superpowers before the French would even consider joining negotiations.

Still, Mr. Mitterrand welcomed the offer of Mikhail S. Gorbachev, the Soviet leader, to eliminate medium-range and short-range missiles from Europe, as long as the process were "balanced and controlled." But he was careful to make the French position contingent upon Bonn.

The French have long been wary of any Euro-missile deal. Their major fear has been the decoupling of Europe from the United States.

"The smaller the U.S. nuclear presence in Europe, the weaker the U.S. link," top French officials said. "Conventional weapons simply do not couple the U.S. to Europe. Nuclear weapons do."

These officials recently were able to evaluate the Soviet proposals firsthand during Mr. Chirac's visit to Moscow in May.

"The Soviets want to drive a wedge into the Atlantic alliance and break off West Germany as something special, something separate," they said. "Our position has always been to stop the Soviets from dividing Europe.

This is why we have opposed all offers of a denuclearized zone in central Europe and the temptation of a reunified, neutral Germany."

They see Mr. Gorbachev's "zero-zero" option as part of a larger Soviet strategy. "The Soviets are going for an agreement on medium-range missiles as a means of drawing off attention from the extremely rapid modernization of their strategic nuclear forces," France says.

Today, France spends more than 4 percent of its gross national product on defense, and most experts agree that this is about as high as it will go.

Even though it eats up about 30 percent of the total defense budget, nuclear deterrence is considered cheaper in both political and economic terms than maintaining a large standing army, and it has been given priority status by successive administrations.

Critics of this strategy, such as former Air Force General Etienne Copel, believe instead that France should begin to seriously upgrade its conventional forces "because the French president won't push the nuclear button" in the event of a conventional or a chemical attack.

The problem of the growing conventional imbalance in Europe in favor of the Warsaw Pact is at the heart of every disarmament discussion. Those who oppose eliminating nuclear weapons point out that they have kept the peace for 40 years and that their absence would open the door to Soviet adventurism.

The French have never favored disarmament agreements for their own sake, and their reaction to the zero-zero proposals is no exception. Any disarmament agreement "must increase security, not decrease it," Mr. Mitterrand and Mr. Kohl recently agreed.

The answer now proposed by NATO strategists to the growing Soviet conventional and chemical threat is the so-called "emerging technologies initiative."

This involves developing extremely expensive, long-range weapons: radar sensors and sophisticated communications, command and control systems that will act as "force multipliers" to compensate for NATO's numerical inferiority.

The French have come up with their own solution — the neutron bomb.

"By adding the neutron bomb to our panoply," Defense Minister André Giraud said last year, "we hope to dissociate these two very different tasks: destroying a conventional threat and issuing a pre-strategic warning."

Mr. Giraud's low-keyed announcement that France would use the neutron bomb in response to a Soviet armor attack went virtually unnoticed in France and is unlikely to arouse the type of emotional outcry that forced President Jimmy Carter in 1979 to abandon the neutron bomb's deployment in the United States.

If nothing else, the French have one extraordinary advantage over their NATO partners: their national consensus on defense policy is almost total.

KENNETH R. TIMMERMAN, associate editor for the Washington-based *Journal of Defense and Diplomacy*, is the author of "Fanning the Flame," a study about arms sales to Iraq and Iran.

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July 20 1980

EUROBONDS U.S. Currency's Rebound Spreads Cheer in Markets

By CARL GEWIRTZ International Herald Tribune PARIS — The dollar's rebound last week — up some 3 percent against the yen and the Deutsche mark — spread cheer in the foreign exchange and dollar bond markets.

Although analysts suspect it was only a blip on a continuing downturn that was resumed after this week's summit meeting in Venice, there was a detectable undercurrent of uncertainty: Could it signal that the dollar's 20-month slide finally had reached bottom?

The dollar's revival was clearly due to special factors: widespread official support during the past two months and, since the middle of last month, an effective curb on Japanese currency speculation imposed by the Ministry of Finance.

Late Friday, the New York Federal Reserve reported that in March and April — after the late February meeting in Paris where finance ministers agreed to "foster" exchange rate stability — central banks intervened in the foreign exchange markets more heavily than at any time since the move to floating rates in 1973.

The Fed itself bought more than \$4 billion and the total intervention by the major industrialized countries, the so-called Group of Ten, amounted to the equivalent of \$73.5 billion.

Meanwhile, last week, Japanese bankers reported continued covering of speculative positions. The major finance, industrial and trading companies who have been ordered to report daily their sales and purchases of foreign currencies are closing out positions as they come up for renewal, taking pressure off the dollar.

These moves underline the determination of central bankers to convince the market that no further depreciation of the dollar is desired at this time. Nevertheless questions remain. Can such heavy intervention continue? Is it enough to turn market sentiment when the fundamental policy changes needed to improve the world economic outlook are still lacking?

Japan's long awaited announcement, made late last week, of a plan to stimulate domestic demand with a supplemental budget amounting to 6 trillion yen (about \$42 billion), a billion more than had been talked about, gave only little comfort. Too many unfulfilled promises in the past have left analysts wary of words and eager for proof.

HENRY Kaufman, economist at Salomon Brothers, said that "the stimulative impact of the program appears unlikely to approach its advertised 6-trillion yen magnitude (nearly 2 percent of gross national product). While the funding side of the program is still unannounced, unofficial reports indicate that new bond issuance would amount to only 1.3 trillion yen (roughly 0.4 percent of GNP), perhaps a better gauge of the package's real additional effects."

With Japan's package now on the table, the economic focus at the weekend summit meeting of the seven major industrial powers will be on what West Germany is prepared to do to stimulate its slow growth and how the Reagan administration intends to further reduce its budget and trade deficits if it remains unwilling to increase taxes.

In fact, nothing new is expected — and this is expected to revive currency speculation. On the other hand, there is reason to assume that foreign investors are prepared to resume buying dollar securities, thereby financing the huge U.S. current-account deficit, once confidence in the dollar's value is restored.

The current much higher interest rates available on dollar bonds offer investors in Japan and West Germany more than adequate protection against further devaluation and at some point could or should trigger a big new buying spree of dollars to purchase dollar-denominated bonds.

Current bond yield differentials, says Credit Suisse First Boston, imply a 10-year break-even exchange rate of about 80 yen against the dollar and about 1.35 Deutsche marks against the dollar. Present exchange rates are 143.75 yen and 1.8180 DM. The most extreme forecasts in circulation have the dollar weakening to no more than around 100 yen and 1.10 DM.

As existing interest differentials adequately compensate for even this extreme depreciation, dollar bonds should be attractive to foreign investors. "All that is needed for investors to act on this perception," says See EUROBONDS, Page 15

U.S. Rate Of Growth Up in May Purchasers Post Sharp Increase

By Jonathan Hicks New York Times Service NEW YORK — The U.S. economy's rate of growth increased sharply in May, according to a monthly report by the National Association of Purchasing Managers.

The report, for release Monday, stated that 34 percent of the responding managers in various industries reported gains in new orders and only 11 percent reported declines from the previous month. In April, 30 percent of the managers reported an increase in new orders, while 12 percent indicated declines.

The association compiles the results of its monthly survey into a seasonally adjusted index. The index rose sharply, to 57.5 percent, from 54.2 percent in April.

The May figure was the highest since June 1984, when the index reached 58.1 percent. Generally, a reading above 50 percent indicates that the economy is expanding, while below 50 percent signals a decline.

"Even without the aid of inventory growth, all indicators point in a positive direction," said Robert J. Bretz, chairman of the association. "The growth in new orders virtually assures both a good second quarter and first half of 1987."

Mr. Bretz, director of materials management at Pitney Bowes Inc., said the index averaged 54.7 percent for the first five months of the year.

"Based on past experience," he said, "if this average were to continue for the remainder of 1987, this would be consistent with real gross national product growth of about 3.2 percent."

The survey of purchasing managers at 250 companies showed growth in all economic indicators, except for inventories, which remained stable.

New orders increased in May for the fifth consecutive month, though at a slower pace than April's increase.



Sanofi's vice president, Jean-Francois Debecq, left, and president, René Sautier.

Sanofi: Unabated Empire-Building Elf's Pharmaceutical Unit Credits Flexible Structure

By Christopher Boian International Herald Tribune PARIS — Thirteen years ago, two men were given a billion francs along with instructions to build an empire. That, they both say today, is precisely what they have done.

The empire is Groupe Sanofi SA, a French-based multinational holding company. Using capital allotted by Société Nationale Elf Aquitaine in 1973 for the creation of a research and development subsidiary, René Sautier and Jean-François Debecq, Sanofi's president and vice president, began a series of corporate acquisitions that has yet to lose momentum.

"We started with practically nothing in an industry where the established companies don't like intruders," Mr. Debecq said. "We have fought from the start."

Ranked as the eighth largest pharmaceutical manufacturer in Europe, Sanofi has holdings in 160 companies in more than 100 countries and is listed among the top 20 corporations in France in terms of market capitalization.

"Our strategy has placed strong emphasis on expansion from the beginning, and will continue to do so," said Mr. Sautier, 64. "When good opportunities come up we take them. That's all there is to it."

Speed is clearly the key to Sanofi's modus operandi.

Italian Official Calls on Bonn to Spur Economy

By David Brown Special to the Herald Tribune ROME — A week before the seven-nation economic summit meeting in Venice, Italy has added its voice to calls that West Germany stimulate its economy in the face of flagging European growth.

Carlo Ciampi, the governor of Italy's central bank on Saturday criticized West Germany's continuing "reluctance to utilize its economic potential" for expansionary policies.

He also called for more coordination within the European Monetary System. The Bank of Italy's annual assessment of the global and domestic economic situation drew the country's leading industrialists and financiers.

Mr. Ciampi warned them that growth of Italy's gross national product this year, though higher than the expected European average, would probably fall short of the bank's February forecast of 3 percent. GNP is the value of a nation's total output of goods and services.

He pointed to an unexpectedly strong deterioration in the country's trade balance through April, and the threat of renewed inflation, after a sharp seven-year drop to 4.2 percent from 22 percent in 1980.

The governor's warnings come as Italian politicians are competing to take credit for the country's strong economic revival before the June 14 general election.

The country cannot "surrender to the illusion" that its "unresolved problems" can be evaded, Mr. Ciampi said, adding that domestic demand is rising too fast while export competitiveness is declining in the face of a low dollar exchange rate, among other factors.

The rising cost of oil poses a critical economic threat, he added, citing Italy's need to import 70 percent of its total energy requirements.

Finally, the government's heavy borrowing requirements to finance the national debt, which now stands at more than 100 percent of GNP, will keep domestic interest rates high.

The Bank of Italy also announced important banking policy initiatives Saturday.

One move would tighten banks' reserve requirements, open opportunities for money raising, and gradually ease rules controlling Italian and foreign banks' opening retail branches in Italy.

An earlier move announced last month significantly deregulated rules governing banks' spending. Together, the new initiatives mean a shift away from regulation and toward market forces, a senior Bank of Italy official said.

These moves are likely to spur increased competition and a big shakeout in the banking sector over the next several years, said Amerigo Gori, director of the Italian banking federation.

Mr. Ciampi also said the bank would move to limit the right of industrial companies to acquire shares in banks and financial institutions, in a step designed to insure banks' independence and to avoid conflict of interest of the kind that led to several big bank failures in postwar Italy.

Peugeot Sets Offering of New Shares

By Axel Krause International Herald Tribune PARIS — The French automaker Peugeot SA will announce plans Monday for a capital increase estimated to be valued at about 5.2 billion francs (\$856.9 million), Peugeot executives said Sunday.

The controlling shareholding of about 23 percent of the Peugeot family will remain unchanged, while the second-largest shareholder, Compagnie des Etablissements Michelin, the big French tire maker, also will probably retain its current holding of 7 percent, Peugeot executives said.

Peugeot now has 16.7 million shares outstanding. Foreign investors will be allowed to buy a third of the offering of 1.57 million new shares. The per-share price has been established at 1,700 francs. Buyers also are to receive a warranty to buy an additional share at 1,700 francs, which can be exercised until Dec. 31, 1990. The price of Peugeot shares, which closed Friday at 1,595 francs, has been rising recently.

The foreign offering, being managed by the Paribas banking group, has already been largely oversubscribed, primarily in Britain, Switzerland and West Germany, said Yves Rapilly, Peugeot's chief financial officer.

Starting Monday, two-thirds of the 1.57 million new Peugeot shares are to be offered to existing French and foreign shareholders on a first-come, first-served basis until June 10.

The new shares plus the warrants, assuming they are exercised, will represent about 5.2 billion francs. "This represents new capital to reinforce our financial structure, to reduce debt and pursue expansion," Jacques Calvet, Peugeot's chairman, said Sunday.

Shares not purchased under the priority offer by June 11 will be offered for public sale, the company said in a statement.

In a related move, Peugeot has proposed that one free share of the company's stock be given for every five shares currently held. The annual meeting scheduled for June 29 is expected to approve the proposal, which would add another four million shares, bringing Peugeot's total shares outstanding to about 24 million.

Shareholders also are expected to approve payment of a 10 franc dividend based on 1986 earnings, which rose to a record 3.59 billion francs, and the first dividend paid since 1981.

Group of Seven's Daunting Goal: Managing World Economy

By Peter T. Kilborn New York Times Service WASHINGTON — Six somberly suited men and one, the Italian, who invariably arrives in open sports coats, convene every three months or so in the opulent gilded chambers of the Louvre Palace, in the clubby rooms of No. 11 Downing Street or beneath the swooping brass chandeliers of the U.S. Treasury's third-floor conference room.

All ministers of finance, they call each other by first names — Jim, Kiki, Michael, Giovanni. Each comes armed with briefing books, his deputy and his central banker. Three bring interpreters.

Collectively, they are known as the Group of Seven. The industrial democracies they represent — the United States, Japan, West Germany, France, Britain, Canada and Italy — join in the annual economic summit conferences.

War II, when the world's economies were less interdependent and its capital markets more regulated, a similar group of men wrote the treaty of Bretton Woods, which tied the finances of the Western world to gold and kept them in some kind of balance.

That era is past; most financial experts agree that the volatile relationships among currencies, finding a workable replacement, however — if there is one — pushes economic theory to its limits. It is also a task that assumes a hefty dose of political clout among its participants, if they are to put into effect at home the promises they make in their meetings.

"One of the most difficult jobs in the world is coordinating economic policy. Of necessity, a country's domestic agenda has to come first."

— James A. Baker 3d, U.S. Treasury secretary

At least 100,000 companies are technically bankrupt in Brazil today," said Antonio de Oliveira Santos, president of the National Commercial Confederation.

This is spreading alarm in the banking community because companies that file for protection under the bankruptcy laws are required to pay only 12 percent annual interest during the first two years of bankruptcy, during which time principal payments are suspended.

"When you're talking about 1,000 percent inflation," one Brazilian banker said, "you're almost asking banks to write off the debt."

Most of the companies in deep trouble are those that had faith in the anti-inflation program known as the Cruzado Plan that was imposed 15 months ago.

"They were told that 'zero inflation' had arrived," one business consultant said, "so they borrowed and invested and are now on their face."

Currency Rates

Table with columns for City, D.M., J.P.S., F.F., I.L.L., Sfr., S.K., Yen, and May 29. Lists rates for Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and ECU.

Other Dollar Values

Table with columns for Currency per U.S. Dollar and U.S. Dollar per Currency. Lists values for Japan, West Germany, France, Italy, Spain, Switzerland, and others.

Last Week's Markets

Table with columns for Stock Indexes and Money Rates. Lists values for United States, OJ Index, DJ Trans, S & P 100, NYSE, and various money rates.

To Our Readers

Beginning Wednesday, the International Herald Tribune will add Philip H. Dougherty, The New York Times's distinguished advertising director, to its weekly lineup of columns. The International Advertising Column by Sherry Buchanan will now move to Thursday, and the Wall Street Watch column will appear on Fridays.

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NASDAQ National Market

OTC Consolidated trading for week ended Friday, May 29

Table with columns: Sales in 100s, High, Low, Close, Change. Lists various OTC securities like ABB, ABC, ABE, etc.

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Mutual Funds

Figures as of close of trading Friday, May 29

Table listing mutual funds with columns: Name, Shares, Price, Change. Includes funds like AARP, ABC, etc.

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(Continued on Page 17)

American Exchange Options

Figures as of close of trading Friday, May 29

Table with columns: Option & price, Calls, Puts. Lists various American Exchange Options.

Handwritten signature or mark at the bottom right.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Equity-Linked.

Czechoslovak, Hungarian Loans Put East Bloc in Spotlight

By Carl Gewirtz International Herald Tribune

PARIS — Eastern Europe took center stage in the international credit market last week with Czechoslovakia setting a new record for borrowing charges for an East-bloc country while Hungary accepted an increase in its loan costs.

A further easing of foreign exchange controls in France, lifting the requirement that foreign funds be borrowed for at least one year, is expected to open the international market to a wider array of companies from the state entities that were usually able to get an exemption from the rule.

INTERNATIONAL CREDIT tolerable limits, a situation not expected to change unless there is an improvement in its trade competitiveness.

The terms on its \$400 million loan are designed to reflect this deterioration in credit standing. Interest on the eight-year loan is set at 1/2 point over Libor. It previously paid 1/4 point over Libor.

A recent OECD report observed that "unlike other East European countries, Hungary has made essentially no progress in reducing its debt burden in 1981-86. By the end of 1986, debt and debt-related indicators were already near or at their

The state company will also have what bankers call a "letter of comfort" from the government assuring that Lisbon will maintain the industry. A year ago, CNP went into the equivalent of voluntary liquidation and is only now re-emerging to tap the market.

EdP, Portugal's electricity utility, last week completed its loan for the equivalent of \$340 million, but bankers report that it was not an easy transaction. A number of bankers said they had received calls from the borrower urging that they join the loan.

Montedison's request for \$200 million was oversubscribed and the Italian chemical giant is expected to increase the size to \$250 million. It is paying an annual facility fee of 6 1/4 basis points and drawing charges are set at Libor with utilization fees starting at 5 basis points and rising to a maximum of 12 1/2.

India's National Aluminum Co. is also expected to raise its \$250 million loan by \$50 million. Interest on the 10-year loan is the lowest yet for a conventional, non-tax-sparred deal (about \$21 million of Nalco's operation is targeted as a tax-sparred loan with Belgian banks). Interest on the conventional portion is 1/4 point over Libor for the first six years and then 1/2 point over Libor.

The last Indian transaction carried a 1/4-point margin over Libor for only three years. News Corp. of Australia is seeking \$125 million for five years with interest set at 1/2 point over Libor for the first two years and 1/4 point over Libor thereafter. The commitment fee on undrawn sums is 1/4 percent and front-end fees range up to 1/4 percent.

Peel Holdings of Britain increased its facility to \$50 million from the \$45 million initially indicated. The credit, intended to backstop the sale of commercial paper, bears an annual facility fee of 1 1/4 basis points and banks are committed to lend funds at 1/4 point over Libor.

In the CP market, Statoil of Norway appointed Salomon Brothers, Swiss Bank Corp., Shearson Lehman Brothers and Chase Manhattan as dealers to market up to \$350 million of short-dated paper.

Bankers grudgingly acknowledged that the terms were fair, albeit aggressive. But they said the reduction in charges was also partly a show of force by the lead manager, Creditanstalt of Austria, which opened a representative office in Prague last week.

Czechoslovakia will pay 1/4 point, or 1 1/2 basis points, over the London interbank offered rate for its \$200 million, 10-year loan. The lowest charge for the Soviet Union to date has been 1/2 point over Libor for eight years. Front-end fees are about identical at 35 basis points.

Data published by the Organization for Economic Cooperation and Development estimate Czechoslovakia's gross debt in convertible currencies last year at \$4.5 billion and its net debt (after subtracting deposits with Western banks) at \$3.4 billion.

Its debt service ratio of 20 (measuring interest and amortization payments in relation to export earnings) is the lowest in the area. Industrial obsolescence, slow economic growth and contracting market shares for its exports are major problems that are expected to lead to a more active international borrowing program, but even with that anticipated pick-up

The increase in the interest charge is ostensibly being ascribed to the larger size of the loan, double that of the previous operation. In an effort to create an aura of scarcity, the Hungarians are also saying that this will be their principal international borrowing this year, but few take that to mean it will be the country's only borrowing.

The banks arranging the loan are the heavyweights of the world — Morgan Guaranty (an infrequent lender to Eastern Europe), Deutsche Bank, Arab Banking Corp., National Westminster and Long-Term Credit Bank of Japan.

Prices Up on Expectation Of Stability for Dollar

By Michael Quirt New York Times Service NEW YORK — Note and bond prices rose modestly Friday as credit market participants were encouraged by prospects that stability in the dollar might continue.

Japan's announcement of a major new economic stimulus package with more government spending and lower taxes helped bolster

summit," said Thomas Campbell, a vice president and foreign exchange trader at the First National Bank of Chicago. He said that trading in the foreign exchange market had been quiet the past few days, and the dollar could move up or down this month, depending on results of the meeting of industrialized countries June 8-10 and the U.S. trade data for April to be published June 12.

The Japanese fiscal package is part of the prescription economists say is needed to help reduce the U.S. trade deficit and stabilize the dollar. Stronger economic growth in Japan would raise demand for imported goods, and lessen the reliance of Japanese companies on exports.

Late Friday, the closely watched 8 1/2 percent Treasury bonds due in 2017 — a benchmark issue that sets the direction for corporate bonds and mortgage rates — rose about 1/4 point and were offered at 101 7/32, to yield about 8.64 percent.

Fluctuations in the dollar continue to be closely monitored in the bond markets, where traders and investors assume that weakness in the U.S. currency portends lower bond prices. They worry that declines in the dollar result in more inflation as prices of imports rise at the same time as foreign investors are discouraged from buying more American bonds.

"The dollar appears to be in a trading range that can be held at least until after the June economic

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European Investment Bank US\$ 100,000,000 9 1/8% 1978-1993 Bonds

NOTICE IS HEREBY GIVEN that, in partial satisfaction of the redemption provisions of the Terms and Conditions of the Bonds, the Issuer has purchased US\$ 7,999,000 principal amount of Bonds to be redeemed on July 1, 1987. In order to complete the annual sinking fund installment of July 1, 1987, the Fiscal Agent has selected US\$ 2,001,000 principal amount of Bonds, bearing the following Serial Numbers, for redemption and payment on July 1, 1987 (the "Redemption Date"):

Table with columns: From, To, From, To, From, To, From, To, From, To. Lists serial numbers for bond redemption.

The Redemption Price of 100% of the principal amount of the Bonds to be redeemed will be paid on or after the Redemption Date upon presentation and surrender of the Bonds, together with all coupons maturing after July 1, 1987, at the office of the Fiscal Agent or any of the Paying Agents listed therein. The coupons maturing on the Redemption Date should be submitted for payment in the usual manner. On and after the Redemption Date, interest on the Bonds hereby called for redemption shall cease to accrue.

European American Bank Fiscal Agent June 1, 1987

U.S. Consumer Rates

Table with columns: Rate, Index. Lists various consumer rates like Treasury Bonds, Money Market Funds, etc.

KfW 1986 - Summing up another very successful year

Promoting the German Economy and Developing Countries

Highlights of KfW's Balance Sheet

Table with columns: billion DM, 1986, 1985. Lists balance sheet items like Balance sheet total, Loans granted, etc.

Promoting the Domestic Economy

From a lending volume of DM 9.8 billion the majority of DM 6.2 billion went to small and medium-sized enterprises. Loans for environmental protection measures accounted for DM 1.9 billion, loans to facilitate structural adjustment in various sectors for DM 1.7 billion.

Promoting the Economies of the Developing Countries

In its capacity as the German Federal Government's development bank KfW committed DM 2.4 billion in loans

KfW's activities in 1986 again focused on the promotion of the German economy, with emphasis on small and medium-sized enterprises, environmental protection, and the export industry. Development assistance funds appropriated by the Federal Government were increasingly used to finance small-scale projects in Africa.

Although the Bank's activities to promote the economy are performed essentially at the expense of its earnings, KfW's net income again rose considerably to DM 163 million in 1986.

Nearly all of KfW's loans are secured by Federal or state guarantee, pledge or mortgage or commercial bank guarantees.

As a major source of long-term funds KfW issues highest quality bonds, notes and Schuldsscheine. Last year alone it issued over DM 10.4 billion in bonds and other debt instruments.

KfW's close relationship with the Federal Government makes its credit standing virtually equivalent to that of the Federal Republic. KfW's long-term debt has been rated "Triple A" by both of the US rating agencies.

A copy of KfW's 1986 Annual Report is available upon request.

KfW Kreditanstalt für Wiederaufbau P.O. Box 111141 D-6000 Frankfurt am Main 1 Federal Republic of Germany Telephone: (69) 74 3125 52 Telefax: 4 11 35 52 Reuters Monitor Pages: AVJZ, AVKA Fully backed by the Faith and Financial Strength of the Federal Republic of Germany

EUROBONDS: The U.S. Currency's Rebound Spreads Cheer in Markets

(Continued from first finance page) Credit Suisse First Boston, "is a period of stability for the dollar which removes the immediate risk of sharp exchange rate losses."

A big uncertainty is what the Japanese do. The Ministry of Finance's request for daily foreign exchange reports has halted currency speculation. But as Western Europe becomes increasingly hostile to the rising flow of imports from Japan there could be a realignment in the currency market pushing the mark up against the dollar and the yen. It has already risen against the yen, currently at 78.99 yen, up from 77.52 at the end of April.

While last week's events fueled a rally in the U.S. domestic bond market, cutting yields on long-term bonds to some 40 basis points below their recent peaks, the buying was restricted to the huge, liquid domestic market. That set a better mood in the dollar sector of the Eurobond market, but there was not much real buying.

Ford offered \$250 million of three-year notes — a short maturity that investors favor. But the size of the issue was large relative to the high demand and the pricing, while adequate at some 68 basis points over the yield on comparably dated U.S. Treasury paper, was not compelling. The paper ended the week at a discount of 1 1/2 points, just outside the 1 1/2 percent commission paid to underwriters.

This was a sterling performance compared with 10-year bonds offered by All Nippon Airways. The paper was priced at some 78 basis points over Treasury yields, not enough to compensate for the long maturity and it ended the week down 3 1/2 points — well outside the 2 percent underwriting fees.

Coastal Corp., a Texas-based energy company, offered \$50 million of five-year paper priced at 300 basis points over Treasury yields — a reflection of its "junk bond" status. The company's debt is rated double-B, a notch below the category that is considered the lowest investment grade.

"The low rating and the small size tells you that this is a public issued private placement, giving the company the publicity of doing a deal," said one London banker. However, in light of the tremendous appetite for retail investors' high coupon bonds — as shown by the continuing demand for Australian dollar paper — bankers questioned whether the Coastal issue signaled an opening of the dollar junk-bond market here.

In the nondollar markets, 300 million DM of bonds issued by the Bank of Greece found favor with the shorter five-year paper better received than the eight-year portion.

Bankers reported very little demand for paper dominated in European currency units or Italian lire. The pound remained out of favor as investors awaited the outcome of the coming election and the possible post-election entry of the pound into the European Monetary System.

There were scattered rumblings about greedy pricing as the paper settled down to a price of 99, but bankers said that there were no cancellations of orders.

The star performers of the week were Kyowa Halko, a high-tech pharmaceutical company whose \$150 million of 1 1/2 percent bonds issued at par climbed to 110, and Tobu Railway, whose \$100 million of bonds expected to bear a coupon of 1 1/2 percent, traded at 105. Tobu's attraction is its huge land

holdings available for development. The expected boom in the housing industry gave a boost to Daiwa House Industry, which traded at a premium of 6 1/2 percent.

Mitsubishi Petrochemical was in demand, trading at a 5 1/2 percent premium, as was Shinetsu Chemical, with a 5 percent gain. Not all the issues had such easy sailing. Yamachi Securities, lead manager of a \$50-million bond for Asics, a sporting goods maker, bought back in price support operations more bonds than it had tentatively allocated to underwriters.

By the end of the week, Yamachi was refusing to assure underwriters how much paper they would finally receive. This could set the stage for a wicked bear squeeze if banks that sold paper they do not have are forced to cover their short sales by buying paper from the lead manager.

Overall, Japanese warrant-bond issues have been the most profitable part of the Eurobond market so far this year. Underwriting fees of 2 1/2 percent are larger than on straight bonds and the paper is most often sold at a substantial profit.

Bankers report that the bulk of the stock warrants wind up in the hands of Japanese investors. For the past months foreigners have been net sellers of Japanese stocks. Net sales in April totaled \$1.98 billion, down from the \$2.9 billion recorded in March.

Bankers Trust last week showed what happens to the low-coupon warrant bonds after the stock options have been detached. It amassed at very substantial discounts

Sweden Grants Vietnam Aid Agency France-Press BANGKOK — Sweden is giving Vietnam 600 million kronor (\$95 million) in aid for 1987-89, the Vietnam News Agency said Saturday in a dispatch monitored here.

Treasury Bonds

Table with columns: Maturity, Bid, Ask, Yield, Wk. ago. Lists Treasury bond data.

SELECTED U.S.A./D.T.E. QUOTATIONS

Table with columns: Bid, Ask. Lists stock and bond quotations for Bitter Corp., Chiron, GoodMark Foods, etc.

supplying grants to builders.

SEVEN: Group Has Daunting Goal

(Continued from first finance page) on the dollar, and discuss what action, if any, to take.

The countries have already put into effect one feature of the broader concept of policy coordination. They have been setting ranges for currency exchange rates, a partial step back to the system of fixed exchange rates that prevailed from 1944 until the early 1970s.

A range of 150 to 160 Japanese yen to the dollar was established at a meeting of Mr. Baker and the Japanese minister, Kiuchi Miyazawa, last September, and it held for several months. New ranges for the yen and for the Deutsche mark were set at a seven-country meeting in February. The ranges were reconfirmed in April, and despite periodic turbulence, those ranges are holding.

For all this progress, the most important component of an attempt to coordinate economic policies has yet to be demonstrated: a willingness to alter fiscal policies governing taxation and spending.

So far, the countries have been willing only to alter monetary policies, mainly interest rates. In the year that the ministers have been working together, the three key countries, the United States, Japan and West Germany, have rebuffed appeals to act on fiscal policies.

Washington wants Bonn and Tokyo to stimulate domestic growth by cutting taxes and raising domestic spending and investment. This would reduce their reliance on the exports that have contributed to the gaping U.S. trade deficit, and might mute the protectionist chorus in Congress. West Germany and Japan, like the other countries at the table, want the United States to do the opposite — raise taxes and so reduce the budget deficits that they believe cause the trade problem, among others.

A witness to the ministerial meetings, who, like others, spoke on the condition that he not be named, described an example of these conflicts in the meetings.

The IMF, he said, might argue that growth in West Germany and Japan is slow and inflation under control, so conditions permit cutting taxes or increasing public spending or taking other actions to foster domestic growth.

"So," the witness recounted, "Stoltenberg says, 'I think the IMF is being much too cautious. My forecast is much better and we put very high priority on price stability and besides we're politically committed to what we have.' And the Japanese say, 'We cannot pass our present budget, and I have some sympathy for what you are saying but that's not the mood in Japan and I cannot do anything.'"

"And the IMF says, 'The United States ought to reduce its budget deficit. That's absolutely fundamental,' And Baker says, 'I certainly agree with that. I'm all in favor

Spot Oil Prices Could Fall After OPEC Meeting

NEW YORK — Plans by OPEC ministers at their Vienna meeting in late June to press for agreed upon output increases while keeping prices tied to an \$18-a-barrel benchmark could mean falling spot oil prices later this year, oil industry analysts say.

Recent statements from several OPEC countries, including the group's largest producer, Saudi Arabia, indicate that the \$18-a-barrel benchmark agreed to at OPEC's meeting last December will be left unchanged.

But analysts point out that if the Organization of Petroleum Exporting Countries goes ahead with plans also reached in December to increase oil production later this year, the recent fall from highs of almost \$20 a barrel for spot oil almost surely will continue.

Partly in anticipation of such increased output, the U.S. benchmark crude, West Texas Intermediate, lost 40 cents a barrel last week to fall as low as \$19.25. It closed Friday at \$19.38 for July delivery.

After the December meeting, when delegates crafted a production accord limiting output to 15.5 million barrels a day and mandated a return to fixed prices, oil prices went on an extended five-month rally, gaining more than \$5 a barrel.

But that accord also set provisional ceilings of 16.6 million barrels a day for the third quarter and 18.3 million barrels a day in the fourth.

Analysis emphasize that OPEC's tendency in the past to produce more than the mandated quota overshadows lower prices.

OPEC says "their quota is 15.8 million barrels per day in the second quarter," said Alben Anton, an oil analyst with Carl H. Pforzheimer & Co., "but that really means they are producing about 16.6 million barrels a day when you count Iraqi production" and the Kuwaiti Neutral Zone.

"If they follow the December agreement to increase quotas," he said, "it will hike output

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SANOFI: Elf Subsidiary Credits Flexible Structure for Unabated Growth

(Continued from first finance page) company's extraordinary aptitude for timely and profitable investments is Sanofi's decentralized structure.

Designed to maintain a careful balance between freedom to maneuver for divisional managers abroad and a cogent policy-setting headquarters in Paris, it is Sanofi's unusually flexible management structure that accounts for the company's rapid expansion and diversification.

"Every sector manager is also a member of the company's general management team," Mr. Deheq explained. "With this system in place, one of our managers who is on the spot in Brazil, for instance, can spot a good investment and seize it on his own initiative. It then becomes his or her problem — he must see that it works."

Ironically, some of Sanofi's competitors view the company's comparatively liberal organization as being to their advantage.

The director of marketing strategy for Rhône-Poulenc, France's largest pharmaceutical producer and Sanofi's chief domestic rival, said Sanofi's lack of discipline and tightly regulated international management was its primary weakness.

"We have a good deal of respect for Sanofi," he said. "They are a young company that has done much in a short time. But we don't consider them a major threat to our business. They simply are not as well equipped on an international level as many other companies in the industry. They do not dominate any market now and probably won't for some time."

Mr. Sautier agrees, almost. "It has never been our intention to dominate any market," he said,

ing a particular hybrid sunflower seed for use both as a food product and for producing seed oil. In 1985 Sanofi took control of Dahlgren & Co., a U.S. sunflower seed producer.

Dahlgren's annual profits thereupon jumped 5 percent to \$22.5 million. The acquisition also afforded Sanofi a commanding position in the world market for sunflower seeds.

In addition to accommodating Sanofi's omnivorous appetite for growth, its dynamic managerial ethic — which the bimonthly French business magazine L'Expansion called "the briskly and brilliantly conducted policy of acquisition combined with incredible organization" — has proven itself in times of trouble as well.

In the first half of fiscal 1986, for instance, Sanofi reported a 17 percent drop in consolidated income compared with the previous year, primarily because of the sudden fall of the dollar. But by intensifying management is set up, we all felt the burden of deciding what the company should do," Mr. Deheq said. "It wasn't just the two of us — he motioned toward Mr. Sautier — "who sat up here in this office issuing orders."

Sanofi, which employs more than 18,000 people in 20 countries, is divided into three principle branches: Health, bio-industries and perfumes/cosmetics. These are further divided into dozens of sub-sectors, which make products as diverse as a growth hormone for dwarfs to a test for the AIDS virus.

The AIDS test, known as Elavia, was developed jointly by the French company Diagnostics Pasteur, in which Sanofi holds controlling interest, and a U.S. company, Genetic Systems. It won U.S. Food and Drug Administration approval in 1986 and is now sold in the United States and 60 other countries.

Integral to Sanofi's strategy for

Health research 'is imperative for the future. And if you know what you're doing, it can be profitable as well.'

— Jean-François Deheq, Sanofi vice president

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Austria	S.	4,800	2,600	1,600
Belgium	B.F.	11,000	6,000	3,500
Denmark	D.K.R.	2,500	1,400	770
Finland	F.M.	1,700	950	520
France	F.F.	1,500	800	460
Germany	D.M.	280	150	80
Great Britain	£	130	70	40
Greece	Dr.	22,000	12,000	6,400
Ireland	Ir.L.	150	80	45
Italy	Lira	380,000	210,000	115,000
Luxembourg	L.F.	11,500	6,200	3,400
Netherlands	Fl.	680	360	198
Norway	N.K.R.	1,800	990	540
Portugal	Esc.	22,000	12,000	6,200
Spain	Pes.	29,000	16,000	8,500
Sweden	S.K.R.	1,800	990	540
Switzerland	S.F.	510	280	154
Rest of Europe, North Africa, former French Africa, Middle East	\$	450	250	135
Rest of Africa, Gulf States, Asia	\$	580	300	175

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Premier Zhao Ziyang, Vice Premier Li Peng and the State Council of Ministers have given their personal support to the first ever International Marketing Congress to take place in China — Beijing '87. — With over 47 sessions and more than 100 internationally renowned speakers and 63 countries represented, Beijing '87 is a truly International event.

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- Japan Marketing Society
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SPORTS

SPORTS BRIEFS

Senna Easy Winner of Monaco Grand Prix

MONTE CARLO (AP) — Brazilian Ayrton Senna easily won Sunday's Monaco Grand Prix as Frenchman Alain Prost failed in a bid for a record 28th Formula One victory.

Senna capitalized on the engine problems of Briton Nigel Mansell, who started from the pole position and led for 30 laps before suffering a broken turbo.

Another Brazilian, Nelson Piquet, finished second, 33.212 seconds behind Senna, with Michele Alboreto of Italy third.

Prost, who was seeking to better the record of 27 victories he shares with Jackie Stewart of Britain, dropped out with engine trouble on the 76th lap. He never challenged for the lead and was more than 50 seconds behind Senna when he pulled off the course.

Hoch Leader by 4 Strokes in Memorial Golf

DUBLIN, Ohio (AP) — Scott Hoch had a four-shot lead Sunday after the completion of the rain-delayed third round of the Memorial golf tournament.

Hoch's 67 gave him a 54-hole total of 198, a tournament record 18 under par. Hoch, who set the 36-hole mark at 131 in Friday's second round, broke the 54-hole record of 203 set last year by Hal Sutton.

Third-round play at Muirfield Village Golf Club had been suspended Saturday by thunderstorms. Only 18 players had completed play when the rain came, and the other 59 marked their positions and returned early Sunday to complete the third round. The final 18 was scheduled for later Sunday.

Don Pooley had a string of five consecutive birdies en route to a 65 that moved him into second place at 202 early Sunday. Curt Byrum, who had equaled the tournament record with a first-round 64, was the only other player within six strokes of Hoch; Byrum was at 204 after a 69.

Celtics Get Past Pistons for Eastern Crown

New York Times Service BOSTON — Boston Garden continues to work its magic for the weary Celtics. With a history of

9 points in the first quarter and 21 by halftime. The Pistons got off slowly, and trailed by 10-3 with 8:36 remaining in the first period. But they came roaring back and by period's end led

31-24, one of their two 7-point leads of the quarter. The rally began with an 18-footer by Thomas, and when it ended with a Dantley lay-up in the first quarter and 19 in the half.

Detroit, which shot 59 percent for the half, held only a 56-55 advantage at intermission. The Celtics were led by Bird, who scored 9 points in the first quarter and 19 in the half.

NBA PLAYOFFS

success here in the seventh games of the playoffs, the Celtics forgot about their aches and pains Saturday and beat the Detroit Pistons, 117-114, to win the National Basketball Association's Eastern Conference championship.

The defending champion Celtics will face the Los Angeles Lakers in the league championship series, which begins Tuesday night in Inglewood, California.

Saturday's result brought the Celtics' seventh-game playoff record to 16-3 — all but three of the victories coming at Boston Garden, where they have a 93-3 record since losing to the Los Angeles Lakers in the sixth game of the 1985 final.

Boston is now one series away from becoming the first team to win successive league championships since the Celtics of 1969. The Lakers won both games against Boston in the 1986-87 regular season.

Robert Parish, who drew a \$7,500 fine and one-game suspension in Game 6 for punching Bill Laimbeer, was back at center for the Celtics.

That allowed Kevin McHale, who had started at center in Parish's place, to go back to power forward against Rick Mahorn. The other matchups had Dennis Johnson on Detroit's Adrian Dantley (who had scored 105 points in the previous four games) and Danny Ainge on Isiah Thomas.

That left Larry Bird on Joe Dumars, and it created the latest in a series of matchup problems for the Celtics. Dumars, 6-foot-3 (1.90 meters), was too quick for Bird, who is 6-foot-9 (2.05 meters). Dumars had

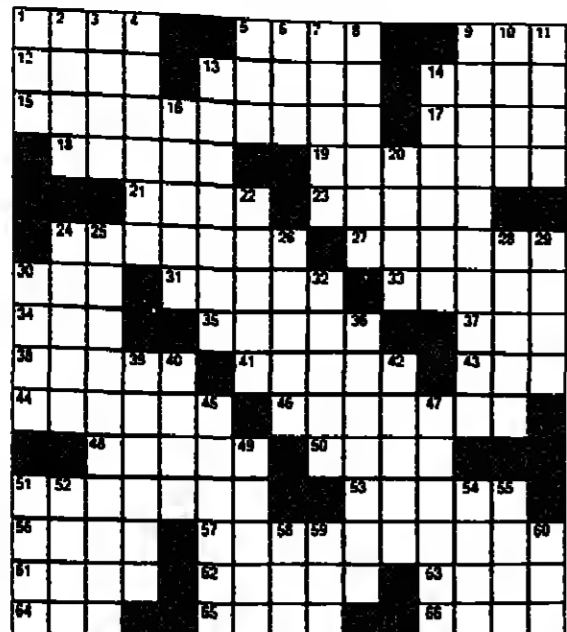


Cornered by Vinnie Johnson (15) and Adrian Dantley in Saturday's second period, Larry Bird passed deftly out of trouble.

After trailing by as many as seven points, the Pistons rallied again to take an 80-79 lead after three periods. With eight seconds to go in the quarter, Dantley collided head-on with teammate Vanjie Johnson while diving for a loose ball and suffered a concussion. Dantley — who had 18 points, 10 in third period — was removed on a stretcher to Massachusetts General Hospital. Johnson went to the beach with an ice pack on his head.

Before Dantley's injury there was another anxious moment. Parish, who had been unable to finish the three games of the series, each time rejoining his sprained left ankle, began to limp again. With 2:14 left in the third period and the Celtics ahead 79-74, he was replaced by Bill Walton — who had missed the entire series with a broken bone in his foot. But Parish returned for the final period with a retaped ankle.

Even without Dantley and Johnson, the Pistons clawed their way into the game's final minutes — only to have the ball bounce Boston's way five times on one sequence with the score tied at 99. The ball finally was tapped to Ainge, who buried a 3-point shot, and the Celtics were never tied again.



ACROSS 1 Repeal 5 Campus V.I.P 9 Antiquity 12 Horse ur sheepskin 13 Existential 14 Press wax 15 Peppy's sign-off 17 Lunthe 18 Thrust out 19 Revolves 21 Oak ur elm 23 Waste 24 Cause of more fondness 27 Fall flowers 30 Elum 31 Lake, Wash. 32 Wife of Abraham 33 Supplement 34 Viewpoint 37 Life story, for short 38 Hauled 41 Kefauver 43 Terminate 44 Spartacus and Turner 46 Tasks for Junior 48 Send as payment 50 Wrier Bombeck 51 Fleeting fashion item 53 Rules for Ferrer and Plummer 56 Mind 57 Ease 58 Cockcrow 62 Miracle 63 Kennel noise 64 Printers' measures 65 Recolors 66 Comic Johnson DOWN 1 Historic period 2 Ice-cream holder 3 Pilgrimage to Mecca 4 Beginnings 5 Ararat's sp. 6 Josh 7 Open 8 Hat for Mike 9 Type of mattress 10 Evaluate 11 Pub drinks 13 Is present at 14 Calif. mount 16 Sheath of a leafstalk 20 Soviet news agency 22 French school 24 Perfume base 25 Puns with hot coals to keep sleepers cozy 26 Rub out 28 Showers 29 Apey blacksmiths 30 Broadway smash since 1982 32 — nous 36 Scarce 39 Diarist John: 1620-1706 40 Half: Prefix 42 Philippine isle 45 Heyerdahl's pet duck 47 Japanese city bombed in W.W. II 49 Wee 51 Where you live 52 Black, to 54 Clacial ridges 55 'Twist Aug. and Oct. 58 Female kangaroo 59 Hindu incantations 60 Opposite of NNW

Solution to Friday's Puzzle

L I D O R A J A R I C O A R E N A E L A N E L O N B A S E B A L S T A D I U M T H E C I R C U L A R F I E L D O A B L Y O N P O S T E L E C T O R B E T B O T C H A C I R C I A M A T B O T C H R E G U L A R F I E L D S A L T R I O P O S T E N O S O R S O N N E G L O B E T R O T T E R O R B I T A L V E L O C I T Y L O L A R O E R S M I L E D Y E S A N D S P I C A

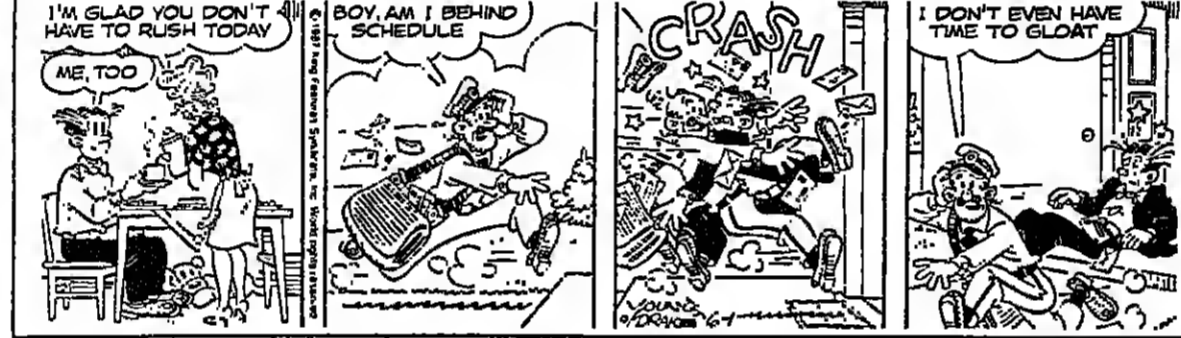
Quotable

Phil Garner of the Houston Astros, on the barrage of major-league home runs in 1987: "With the decrease in ozone layers, we've lost some of the ionized particles, so there's nothing to hold those balls back." (LAT) Former Brewer outfielder Gorman Thomas, on fans in Milwaukee: "They know when to cheer and they know when to boo. And they know when to drink beer — all the time." (AP) R.J. Reynolds of the Pittsburgh Pirates, on the low attendance at Three Rivers Stadium: "Sometimes you walk out onto the field and you wonder if they've opened the gates." (LAT)

PEANUTS



BLONDIE



BEEBLE BAILEY



ANDY CAPP



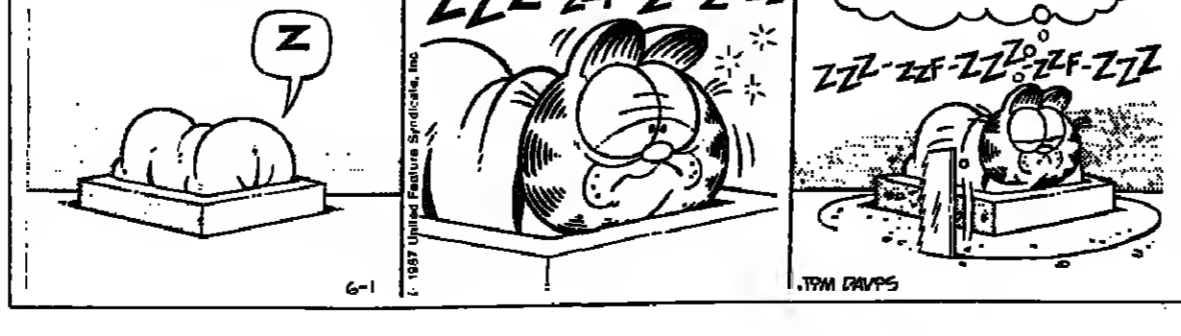
WIZARD of ID



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GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France Presse

Amsterdam

Trading was sluggish on the Amsterdam stock exchange last week, as investors were reluctant to take a stand. Turnover, in four sessions during a week shortened by a holiday, came to 3,366 billion guilders, against 4,951 billion, while the ANP-CBS general index finished at 287, compared with 286.8 on May 22. The undertone remained firm.

Frankfurt

A stronger dollar boosted prices on the Frankfurt stock exchange by around 2 percent last week. Led by banks, automobile companies and capital goods issues, the Commerzbank index advanced 29.1 points to 1,759.6. Volume of transactions in four days of trading came to 14,677 billion Deutsche marks, against 12,569 billion at the end of the previous week. The market was closed Thursday.

Hong Kong

A favorable government report on the Hong Kong economy boosted sentiment in the market last week, propelling the Hang Seng index to two successive record highs before profit-taking set in. The market barometer closed at record highs of 2,942.92 points Wednesday and 2,950.81 Thursday before falling back to 2,919.70 Friday, for a weekly gain of 22.08 points. The broader-based Hong Kong index ended the week 13.46 points up at 1,883.09.

London

Sentiment remained nervous last week on the London exchange with many investors preferring the sidelines until results of the British general election on June 11 are known. Shares made a dull start after holidays Monday in both Britain and the United States and were unsettled by opinion polls indicating a narrowing of the Conservatives' lead over opposition parties. But values later regained ground, boosted by a more favorable showing for the Conservatives in the polls, better-than-expected trade figures for April and a firmer tone to the pound.

Milan

The Comit Index fell again last week in slack trading, sliding below 700 to close out at 694.92 points, down 9.82 for the week. After an ebullient 1986, Milan stock prices have declined a total of 4.30 percent since the start of the year. A key factor, analysts say, has been uncertainty about political stability. Last week's fall coincided with two items of good news. Fiat announced a 64 percent rise in consolidated profits, and an internal squabble between the president of Montedison, Mario Schimberni, and the group's chief shareholder, Ferruzzi, was reported to have been solved.

Paris

The Paris Bourse, fueled by a stronger dollar, staged a pronounced recovery last week, with the CAC index gaining 3 percent. The index, in four days of trading, rose from 421.4 on May 22 to 431.8. The exchange was closed on Thursday. The dollar was fixed Friday in Paris at 6.0735. Gains by dollar boosted the franc

Singapore

The holiday-shortened week saw shares on the Singapore stock market maintain their upward momentum. Continued buying support took the Straits Times industrial index to an all-time high of 1,220.17 points, with identical gains of 6.47 points on Wednesday and Thursday. It was largely aided by a government statement that the economy was likely to register annual growth of about 8 percent from 1986.

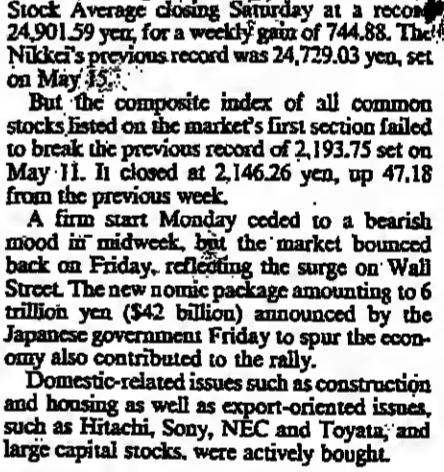
Tokyo

Share prices surged ahead on the Tokyo Stock Exchange, with the 225-issue Nikkei Stock Average closing Saturday at a record 24,901.59 yen, for a weekly gain of 744.88. The Nikkei's previous record was 24,729.03 yen, set on May 15. But the composite index of all common stocks listed on the market's first section failed to break the previous record of 2,193.75 set on May 11. It closed at 2,146.26 yen, up 47.18 from the previous week.

Zurich

The Zurich stock exchange, in line with those in Paris and Frankfurt, last week emerged from a prolonged slump. The Credit Suisse index on Friday stood at 520.4, up from 516.6 seven days earlier. Stock market analysts attributed the turn-around to an improved dollar and said that the U.S. currency remains healthy this week the trend should be maintained.

COMBINED CURRENCY STOCK INDEX GRAPH



© New York Times, edited by Eugene Malteska.

DENNIS THE MENACE



JUMBLE

Jumble word game section with a grid of letters and instructions to unscramble words.

WEATHER

Table with weather forecasts for various cities including Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania.

MONDAY'S FORECAST - CHANNEL: Smooth, FRANKFURT: Cloudy, Temp 19 - 10 (48 - 50), LONDON: Fair, Temp. 20 - 18 (68 - 64), MADRID: Fair, Temp. 20 - 14 (68 - 57), NEW YORK: Partly Cloudy, Temp. 23 - 17 (73 - 63), PARIS: Fair, Temp. 21 - 11 (70 - 52), ROME: Cloudy, Temp. 24 - 12 (75 - 54), TEL AVIV: Not available, ZURICH: Partly Cloudy, Temp. 20 - 12 (68 - 54), WASHINGTON: Partly Cloudy, Temp. 24 - 15 (75 - 59), SYDNEY: Partly Cloudy, Temp. 24 - 15 (75 - 59), TOKYO: Partly Cloudy, Temp. 22 - 14 (72 - 57), SINGAPORE: Thunderstorms, Temp. 23 - 26 (73 - 79).

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SPORTS

Yankees Down A's, 9-5, as John Wins 3rd Straight

Compiled by Our Staff From Dispatches
NEW YORK — Willie Randolph and Henry Cotto drove in three runs apiece Sunday to help Tommy John win his third straight start and lead the New York Yankees to a 9-5 victory over the Oakland Athletics.

est nonopting day figure in the major leagues this season.
Dennis Eckersley, 3-4, making his second start as an Athletic, earned 5 1/2 innings, allowing six earned runs.

SUNDAY BASEBALL

innings, allowed six hits, struck out five and walked five to get the victory.
Twice 9, Tigers 5: In Detroit, errors by second baseman Tom Brookens and third baseman Darrell Evans permitted two runs to score in a three-run eighth inning that sparked Minnesota to beat the Tigers in the first game of a double-header. Detroit had a five-game winning streak and nine-game home winning streak snapped.

Phil Bradley drove in three runs and Presley, who hit his third homer in two games, drove in two for the Mariners, who completed a three-game sweep of the Orioles.
Blue Jays 7, Angels 2: In Toronto, George Bell homered for the Blue Jays and drove in three runs to back John Cerutti's four-hitter, sending California to its ninth straight loss. Toronto put the game away in the fifth inning with a five-run outburst. The Angels, the defending American League West champion, have won just twice in their last 14 games. The team is within two losses of tying its record for most consecutive losses set in 1974. Bell had 11 homers and 31 runs batted in during May, both Toronto records for a month.

ings and needed the help of five relievers to earn the victory. Dave Smith went two innings for his eighth save. St. Louis starter Greg Mathews, 2-4, lasted 5 2/3 innings in making his first start since being recalled Saturday from the Cardinals' Triple-A affiliate, Louisville of the American Association.
Reds 5, Pirates 2: In Pittsburgh, Dave Parker hit his 12th home run of the season to snap a 2-2 tie and Ted Power scattered seven hits over eight innings to lead Cincinnati over the Pirates, extending Pittsburgh's losing streak to six games. The Reds swept the three-game series and have won five of their last six games and nine straight at Three Rivers Stadium.
Braves 2, Cubs 1: In Atlanta, Gerald Perry singled in the winning run with two outs in the 10th inning to push the Braves past Chicago. The victory went to Gene Garber, 7-3, who replaced starter Doyle Alexander after nine innings.



Bob Schenker/The Associated Press

Tyson Flattens Thomas to Retain Heavyweight Titles

Pinkin Thomas struggled to regain his feet after being decked by Mike Tyson in the sixth round of their bout Saturday night in Las Vegas as his trainer, Angelo Dundee, leapt into the ring to stop the fight. Tyson, at 20 the youngest heavyweight champion ever, knocked out Thomas, 29, with a right uppercut and a left hook. Tyson improved his record to 30-0 with 27 KOs and kept his World Boxing Council and World Boxing Association crowns; he will try to unify the three heavyweight titles Aug. 1 against Tony Tucker, the International Boxing Federation champion.

Grand Slam by Davis Lifts Reds

Compiled by Our Staff From Dispatches
PITTSBURGH — Eric Davis hit his 19th home run of the season, a grand slam in the third inning, and Bill Guletski pitched a six-hitter over eight innings here Saturday night to help Cincinnati beat Pittsburgh, 6-2.
The 19 homers for Davis are a National League record for the months of April and May, breaking the mark of 18 shared by Fred Williams of the 1923 Phillies, Willie Mays of the 1954 Giants and Tony Perez of the 1970 Reds. The major-league record of 20 was set by Mickey Mantle of the 1956 Yankees.
Davis has four career grand slams and three in May, setting a league record and tying the major league mark for most in a month (shared by Detroit's Rudy York in 1938, Detroit's Jim Northrup in 1968 and Larry Parrish of Texas in 1982).
"It was a pitcher's pitch. I just went down and got it," said Davis of his home run. "Records are just something that comes with the game. I don't set goals. I don't put pressure on myself by trying to want to try to break records."
Davis is hitting .355 with 52 runs batted in. Manager Pete Rose doesn't know whether he can keep up current pace, but he can hope. "If he does, I'll be the first to congratulate him when he hits his 80th home run," Rose said.
The Pirates are suffering their longest losing streak of the year. Cardinals 3, Astros 2: In St. Louis, Terry Pendleton lined a two-

SATURDAY BASEBALL

run double to cap a three-run third that carried the Cardinals to their third straight victory.
Phillies 3, Dodgers 0: In Los Angeles, Kevin Gross struck out three and walked one for his second complete game and first shutout of the year, and Von Hayes tripled home two runs to lift Philadelphia. The shutout was preserved by left fielder Mike Easler and Greg Gross. Easler leaped above the fence to snare Mike Marshall's home run bid in the sixth; Gross replaced Easler in the eighth, and that inning made a circus catch on the warning track of a Marshall drive.
Expos 6, Giants 4: In San Francisco, Tim Lincecum hit a three-run homer and drove home five runs to pace Montreal. The loss extended the Giants' losing streak to five games overall and eight straight at home. Winner Floyd Youmans struck out 12 in seven innings.
Cubs 11, Braves 6: In Atlanta, Shawn Dunston went 4-for-5 with three RBIs and Jody Davis and Ryan Sandberg homered to help Chicago beat the Braves. The Cubs pounded out a season-best 19 hits.
Mets 3, Padres 0: In San Diego, Sid Fernandez scattered five hits in his first shutout of the year to lead New York to its fifth straight victory. The Padres have in a row, their longest skid since 1984.
Brewers 6, Indians 5: In the American League, in Cleveland, B.J. Surhoff singled home Cecil Cooper from second base with one

out in the 10th, ending a six-game losing streak for Milwaukee, which has had the season 13-0.
Blue Jays 4, Angels 3: In Toronto, reliever Gary Lucas walked Rob Ducey with two outs and the bases loaded in the 10th to lose the game for California. Toronto starter Jimmy Key took a no-hitter and shut-out into the seventh, but lost both as the Angels rallied from a 3-0 deficit to tie the score.
White Sox 3, Red Sox 2: In Chicago, Harold Baines doubled home Jerry Reyster from first with two out in 10th to give the White Sox their first three-game home winning streak of the season.
Athletics 4, Yankees 3: In New York, Tony Phillips hit a two-run double to complete a three-run sixth-inning rally that lifted Oakland.
Mariners 12, Orioles 0: In Baltimore, Mike Morgan scattered seven hits in his second career shutout and Jim Presley slugged two home runs to power Seattle. Dave Valle and Presley tagged back-to-back homers off Eric Bell in the fourth to give Morgan a 2-0 lead. Morgan notched his second career shutout and the first for Seattle this season.
Royals 12, Rangers 7: In Kansas City, Missouri, Bret Saberhagen became the first big-league winner in the majors this season and Thad Bosley and Kevin Seitzer each drove in three runs as the Royals downed Texas. Saberhagen, who barely lasted the minimum of five innings needed to earn the victory, gave up seven runs.
(UPI, AP)

Evert, Navratilova, Graf in Quarters; Mecir Wins, Novacek Surprises Jaite

The Associated Press
PARIS — Defending champion Chris Evert moved into the quarterfinals of the French Open tennis tournament Sunday with a 6-3, 6-1 victory over Katerina Maleeva. She was joined by longtime rival and No. 1 seed, Martina Navratilova, who crushed No. 15 Sylvia Hanika of West Germany, 6-0, 6-2, in 55 minutes.
On Saturday, West German teen-agers Boris Becker and Steffi Graf, the No. 2 seeds, survived mild scares in advancing to the fourth round, along with Jimmy Connors, at 34 the oldest player remaining in the men's draw.
Becker, twice a Wimbledon champion but without a title on clay, mixed powerful winners with impatient errors en route to a 6-1, 3-6, 6-2, 6-1 victory over Henrik Sundstrom of Sweden. After losing only five games in her previous three matches, Graf had to fight to oust Canadian Helen Kelesi, 7-6, 6-2.
Connors played superbly against 17-year-old Franco Davin of Argentina, the youngest player in the field, and won by 6-3, 6-1, 6-2. "That was a different match as you move so well," said the eight-seeded American.
Unseeded Karel Novacek of Czechoslovakia produced an upset Sunday by downing 14th-seeded Argentine Martin Jaite, to become the first man into the last eight. His next opponent will be No. 5 Miloslav Mecir of Czechoslovakia, who blitzed Frenchman Patrice Kuchna, 6-0, 6-1, 6-3.
Novacek missed a match point in the third set, but he did not allow the lost opportunity to worry him and wound up beating Jaite, 7-6, 6-4, 6-7, 6-3. "It was a hard time in the third set," said Novacek, who had never moved beyond the third round of a grand-slam tournament. "But I said to myself, 'Keep quiet and concentrate.'"
Jaite had reached at least the quarterfinals of the last five tournaments he played before Paris and had lost just one set prior to meeting Novacek.
In a men's fourth-rounder, Joachim Nyström of Sweden led top-seeded Ivan Lendl of Czechoslovakia, 6-2, 1-6, 7-5, 0-4, when darkness halted play.
Evert, bidding to win this grand slam event for the eighth time and third year in a row, did not let a steady midmatch drizzle disturb her concentration as she overpowered the 12th-seeded Bulgarian. "I still think Steffi is favoring," said the No. 3 seed. "I'm playing well, but you have to look at what a player has done for three to six months prior to the tournament, rather than the day before." Graf

FRENCH OPEN TENNIS

Elsewhere Saturday, Jimmy Arias, the only other American left in the men's draw, ousted Jorge Arrese of Spain, 4-6, 7-6, 6-2, 4-6, 6-2; Arias next plays Becker, whom he beat in the second round of last month's Monte Carlo Open.
"I think I have a chance," said the unseeded Arias, who reached the quarterfinals here three years ago. "He doesn't lose twice in a row to too many people, but he hasn't been playing too well on clay this year."
Progressing to the women's quarterfinals were No. 7 Gabriela Sabatini of Argentina and No. 6 Manuela Maleeva of Bulgaria. Sabatini, who this year has twice beaten women's Navratilova, ended the run of South African Karen Schimper, 6-4, 6-1. Maleeva downed American Stephanie Rehe, 7-6, 6-1.
Arantxa Sanchez, at 15 the youngest player in the women's draw, reached the last eight by downing Carina Karlsson of Sweden 6-1, 6-4. She is the first Spanish woman since 1931 to make the quarterfinals.
Advancing with Becker and Connors as the men finished their third round were No. 4 Mats Wilander of Sweden, No. 6 Yannick Noah of France, No. 11 Kent Carlsson of Sweden and nonseeded Ricki Osterthun of West Germany and Tarik Behabiles of France.
Wilander, the best clay-court player in the world on current form, beat American Aaron Krickstein for the second successive year. Wilander, a winner at Monte Carlo and Rome in the last month, stumbled in the middle but otherwise dominated as he won 6-1, 6-7, 6-0, 6-2, his 14th victory in a row.



Unseeded Karel Novacek

has won 36 straight matches, stretching back six months.
Evert's next opponent will be the 14th seed, Italy's Raffaella Reggi, who registered a minor upset in eliminating fifth-seeded Helena Sukova of Czechoslovakia, 6-3, 4-6, 6-2, on Sunday.
Navratilova, who has not won a tournament this year, had little to worry about as Hanika sprayed er-

SCOREBOARD

Baseball

Table with columns for Major League Line Scores, Friday's Results, and Saturday's Results. Includes teams like Yankees, Athletics, Tigers, etc.

Tennis

French Open

Table listing tennis players and their match results, including names like Andre Gornic, Boris Becker, etc.

Basketball

NBA Playoffs

Table listing NBA playoff series and results, including Eastern Conference Finals and NBA Title Series.

Transition

Table listing baseball players and their transition status, including names like Jolly, Andres Gomez, etc.

European Soccer

Table listing European soccer leagues and results, including French First Division and National League.

World Cup Rugby

Table listing World Cup rugby group results, including Group 1 and Group 2.

Auto Racing

Table listing auto racing events and results, including Monaco Grand Prix and other races.

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